Austria Sch 15	Indonesia Rp 2500	Portugal Esc 65
Bahrain Din 0.650	Italy L 1100	S Arabia Rls 6.00
Belgium BFr 35	Japan Y550	Singapore S$ 4.10
Canada C$1.50	Jordan Fils 500	Spain Pts 95
Cyprus Mils 600	Kuwait Fils 500	Sri Lanka Rup 30
Denmark DKr 7.00	Lebanon L 6.00	Sweden SKr 6.50
Egypt Efl 00	Luxembourg LFr 35	Switzerland SwFr 2
Finland Fmk 5.50	Malaysia Rm 4.25	Taiwan NT $65
France FFr 5.50	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.00	Morocco Dh 6.00	Turkey L 150
Greece Dr 60	Netherlands Fl 2.25	U.A.E. Dh 6.50
Hong Kong HK$ 12	Norway Nkr 6.00	U.S.A. $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

Arafat caught in a Syrian trap, Page 14

NEWS SUMMARY

U.S. still undecided on arms talk offer

The U.S. Administration is apparently divided over whether to make a last-minute offer at the arms control talks in Geneva on nuclear weapon levels in Europe.

No decision is likely until the end of the week when Deputy Secretary of State Kenneth Dam and Under-Secretary for European Affairs Richard Burt return from consultations with Nato allies. Page 2

Mr Dam had a 90-minute working breakfast with British Premier Margaret Thatcher in London, at which she warned him that a resumption of U.S. arms sales to Argentina would seriously damage Anglo-U.S. relations. Lebanon and Grenada were also on the agenda. **Earlier story, Page 4**

Anglo-Irish progress

A cautious meeting between UK Premier Margaret Thatcher and Republic of Ireland Premier Dr Garret FitzGerald is believed to have gone a long way to restoring close relations after the disagreements of the past two years. Page 8

Peace campaign

British women peace campaigners will camp outside all 102 U.S. bases in Britain for 24 hours from tomorrow night to coincide with a New York federal court hearing of a case claiming that cruise missiles are illegal.

New spy charges

British Intelligence agent Michael Bettaney, accused of giving secrets to the Soviets, faced six new charges in a London court yesterday, alleging that he revealed a British assessment of the KGB network in Britain.

Argentine hand-over

Argentina's military rulers will hand over to President-elect Raul Alfonsin, the Radical leader, on December 10 and not January 30 as originally planned. **Page 4**

Uruguay shuffle

Uruguay military rulers have named the country's ambassador to the U.S., Alejandro Vegh Villegas, as Economy Minister in a move apparently aimed at defusing mounting opposition.

Assam bomb kills 11

A bomb at the railway station in Gauhati, capital of Assam in north-east India, killed 11 and injured at least 60 people. The state had been relatively quiet after a period of ethnic violence.

Quake hits China

An earthquake killed at least 30 in the eastern Chinese provinces of Shandong, Hebei and Henan.

Iran claims wins

Iran says its forces, in a 19-day-old offensive in northern Iraq, have beaten off several counter-attacks near the border town of Penjwin, with more than 400 Iraqis killed.

Unita offensive

Angolan rebel movement Unita said it had launched an offensive against government forces in the Luanda, Bengo and Uige provinces.

Chinese free spy

Convicted Chinese spy Lo Cheng-Hsun, Peking-appointed editor of a Hong Kong left-wing newspaper, was freed from 10 years' jail after confessing that he had worked for U.S. intelligence.

Liu Gong, an executive of the English language magazine China Reconstructs, is said to have applied for asylum in the U.S. while visiting there.

New plan for limit on EEC budget

● GREECE circulated to other EEC countries a new plan to set January 1 1986 as the date for raising the legal limit on the Community's budget revenues – it suggests 1.8 per cent of value added tax revenues – and for admitting Spain and Portugal. Page 16

● GOLD fell $3.75 in London to $378.625. In Frankfurt it closed $2 down at $379, and in Zurich it fell $3 to $379.5. In New York the Comex November settlement price was $381.4. Page 36.

● LONDON: FT Industrial Ordinary index closed 3.1 up at 721.4, taking its rise over six trading days to more than 30. Report, Pages 27, 31, FT Share Information Service, Pages 32, 33

● WALL STREET: Dow Jones index closed down 3.45 at 1,214.84. Report Page 27. Full share prices, Pages 28–30

● TOKYO: Nikkei Dow index edged down by 0.99 to 9,316.21, and the Stock Exchange index was 0.31 up at 682.62. Report, Page 27. Leading prices, other exchanges, Page 30

● COPPER prices fell in London, with the high-grade cash price £11.25 a tonne down at £907.75 ($1,347.1), lowest since December 21. Page 36

● DOLLAR touched record levels against some currencies yesterday because of the Lebanon situation, but settled to DM 2.6815 (DM 2.6685 on Friday), FFr 8.14 (FFr 8.1075), SwFr 2.179 (SwFr 2.169), and Y237.05 (Y236.45). Its Bank of England trade-weighted rose from 128 to 128.3. In New York it closed at DM 2.677; FFr 8.1275; SwFr 2.178 and Y236.75. Page 37

● STERLING fell 30 points to $1.484, was unchanged at Y352 and rose to DM 3.98 (DM 3.97), FFr 12.0775 (FFr 12.055) and SwFr 3.236 (SwFr 3.2275). Its trade weighting was up from 83.9 to 84.2. In New York it closed at $1.4855. Page 37.

● **CHINA** is looking for close co-operation with Britain in all forms of energy development said UK Energy Secretary Peter Walker in Peking. Page 4

● **FRENCH** unemployment is likely to rise in the next five years, said the national statistics institute, with a possible loss of 0.5m jobs because of rising productivity. Page 2

● **INDIA'S** industrial production was 3.5 per cent up in the April-June quarter from 1982. Page 3

● **SOUTH AFRICA'S** foreign currency reserves fell from R1bn to R572m ($488m) in October. Page 3

● **DANES** will be able to buy shares in foreign companies without restriction from January 1, for the first time since 1931. Page 18

● **BANGLADESH** launched a $91m programme to give 2.5m people jobs for the next six months.

● **BLACK AND DECKER** of the U.S., world's largest power tool maker, achieved net income of $44.2m in the year ended September 25 after a major restructuring following its previous year's loss of $76.6m. Page 17

● **LUCAS INDUSTRIES**, UK vehicle and aerospace parts maker, suffered a 90.4 per cent drop in its pre-tax profit for the year ended July, at £2.1m, due to a £33.1m ($49.1m) loss on vehicle parts. **Lex, Page 16. Details, Page 21**

● **A. G. BECKER Paribas**, the New York investment bank, has established a $127.5m seven-year revolving credit and term facility designed to meet its capital needs for the next few years. Participants in the deal include First Chicago, Citibank, Continental Illinois, Morgan Guaranty and Security Pacific.

● **SHARP**, Japanese electrical appliance maker, increased unconsolidated pre-tax profits by 13.7 per cent in the half ended September at Y25.12bn ($107m). Page 18

Citicorp buys large stake in London stockbroker

BY DAVID LASCELLES AND JOHN MOORE IN LONDON

CITICORP, the giant U.S. banking group, is to gain a significant foothold in the international stockbroking business by buying a stake in Vickers da Costa, the London broker with a strong presence in the Far East.

In a deal worth about £20m ($30m), the U.S. group plans to buy 29.9 per cent of Vickers's London business – the most allowed by the London Stock Exchange – as well as a controlling interest in its business abroad. But the terms allow Citicorp to raise its stake in the London end whenever the rules permit.

The agreement will have to be approved by the London Stock Exchange and Vickers's shareholders, as well as the authorities in the UK and the U.S.

Citicorp will make the acquisition through its Capital Markets Group formed in 1982 to pull together its worldwide investment banking activities. That is also necessary to separate, for regulatory reasons, Citicorp's non-banking interests from the pure banking ones conducted by its main subsidiary, Citibank.

The deal is the third of its kind in the past 18 months and comes when deregulation of the London Stock Exchange should make it a lot easier and more attractive for outsiders to enter the London stockbroking business.

Sir Kenneth Berrill, chairman of Vickers da Costa, said yesterday that both sides had been in talks for three months after the deal between the British Government and the stock exchange in London. Under that deal, the Government agreed to exempt the stock exchange from the restrictive practices legislation, provided the exchange agreed to wide changes, including the abandonment of the market's minimum commission structure.

Stakes* bought in UK stockbrokers

Broker	Buyer	Cost	Date
Hoare Govett	Security Pacific	£8m	6/82
Kitcat & Aitken	RIT and Northern	n/a	11/82
Vickers da Costa	Citicorp	£20m	11/83

* 29.9 per cent – the maximum allowed by the London Stock Exchange, except for Citicorp/da Costa, which includes about 80 per cent of da Costa's non-London business.

Although the deal only gives Citicorp a 29.9 per cent stake in the part of the group which is a member-firm of the London exchange, the U.S. group is acquiring around 80 per cent control in Vickers da Costa's other subsidiaries. The Vickers management is expected to retain the balance.

The stock exchange said yesterday that it was quite happy with the deal by Citicorp, although financial control of Vickers's other interests would reside with the U.S. group.

Vickers da Costa has British institutional shareholders that include Electra Investment Trust, Industrial & Commercial Finance Corporation, the Post Office Staff Superannuation Fund and the Prudential Assurance Company. Some of the institutional shareholders participated in the consortium that in 1981 supported Vickers's current management in a buy-out of equity owned by senior management who had retired or resigned.

Vickers da Costa is noted in London for its large Far Eastern operations. It is the longest-established foreign broker in Japan and has a full branch office in Tokyo. According to a market research survey, the firm accounts for over a quarter of all foreign equity commissions handled by UK stockbroking firms for institutions with foreign equity portfolios.

For Citicorp, which aspires to be in every main segment of the world financial services market, the deal will add yet another facet and bring it new expertise and business in Europe and the Far East.

Lex, Page 16

Syria and Israel flex military muscles as rebels press Arafat

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

Syria put its armed forces on maximum alert yesterday and began calling up reservists in response to what officials in Damascus claimed were "aggressive American and Israeli intentions."

A military spokesman in Tel Aviv also announced that Israel would shortly hold a general mobilisation exercise. He insisted that the exercise was planned to test Israel's military reserves procedure and had nothing to do with the current tension in the Middle East.

Israel sought to make it clear to Damascus last night that it had no intention of attacking Syria. Officials at the Defence Ministry in Tel Aviv said they were worried by the general mobilisation in Syria, which they feared could lead to an uncontrolled deterioration of the situation in the region.

Throughout yesterday afternoon Damascus radio broadcast coded messages calling up reservists from all three services. General Mustapha Tlas, Syria's Defence Minister, spoke to the Cabinet during the morning to explain the military situation. He referred to the U.S. naval build-up in the eastern Mediterranean and continuing U.S. military flights over Beirut.

In northern Lebanon, Syrian-backed Palestinian rebels continued their assault on forces loyal to Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation. Mr Arafat's last stronghold, the Palestinian refugee camp at Baddawi, just north of Tripoli, came under intense artillery barrage for much of the day.

As more of Mr Arafat's forces fell back on Tripoli, shellfire began to hit the city, intensifying fears for the safety of the estimated 400,000 civilians in the town. Lebanese security forces put the death toll from the five days of fighting at 250, with up to 1,000 wounded.

A delegation from five Arab states will travel to Damascus to discuss the plight of PLO troops besieged by Syrian forces in Lebanon, according to officials at the summit of the six-nation Gulf Co-operation Council in Doha, Qatar. The five countries are Saudi Arabia, Qatar, Tunisia, Kuwait and Algeria.

The largest militia group in Tripoli, the Islamic Unification Group, pledged to fight alongside Mr Arafat's troops if rebel forces attempted to enter the city.

Heavy fighting broke out later in the day around U.S. marine positions at Beirut airport. One marine was slightly injured as the U.S. troops came under fire from rocket propelled grenades and mortars.

A marine spokesman said the shooting was the heaviest since the September 25 ceasefire agreement. Beirut airport was forced to close and shells also fell on nearby Moslem areas where Shia militias had been exchanging fire with the Lebanese army throughout the day.

Twice during the day U.S. carrier-based aircraft swooped low over Beirut and the surrounding hills. The U.S. has refused to rule out military retaliation once it has identified those responsible for the deaths of 230 marines over two weeks ago. Israel has pledged that it will hit back hard at those who killed 28 Israelis last Friday in southern Lebanon.

The Greek Government, speaking on behalf of the European Economic Community, yesterday expressed its fears of a more general outbreak of hostilities in the region. The ambassadors of Syria and Lebanon were summoned to the Foreign Ministry in Athens to be told of EEC concern about the fate of civilians caught up in the Palestinian fighting around Tripoli.

Israeli spending curbs approved, Page 3; Arafat in a Syrian trap, Page 14

IMF package for Brazil set to go ahead

BY PETER MONTAGNON IN BASLE

THE INTERNATIONAL Monetary Fund (IMF) is almost certain to give the go-ahead to the proposed $11bn rescue package for Brazil when its executive board meets in Washington this month.

Mr Jacques de Larosière, IMF managing director, told central bankers meeting at the Bank for International Settlements (BIS) in Basle yesterday that he was broadly satisfied with Brazil's economic adjustment programme. IMF endorsement of this programme is a key precondition for the rescue package.

But since Brazil outlined its proposed austerity measures in a letter to the IMF two months ago, it has twice made significant changes to its wages policy. This has raised doubts about whether Brazil would comply with the IMF's requirement for a reduction in real wages.

Senior central bankers admitted yesterday that the latest wages programme, which is before the Brazilian Congress, was "a second best." They still believed, however, that Brazil would be able shortly to clear up "one or two outstanding points with the Fund" to allow the package to be approved in Washington this month.

Mr de Larosière was in Basle yesterday to press the central bankers to lend the IMF SDR 3bn ($3.3bn). The money is needed to rebuild the Fund's cash resources which have been depleted by this year's record loans to Latin America.

In a rare statement from Basle last night, Herr Karl-Otto Pöhl, chairman of the Committee of Central Bank Governors from the Group of Ten richest industrial countries, said the central banks were "in principle disposed to give favourable consideration" to the loan request.

But he said that the loan would only be finalised after member governments had ratified the proposed 50 per cent increase in IMF quota subscriptions.

This indicates that Mr de Larosière failed yesterday to persuade the central bankers to go ahead with the loan before the U.S. Congress has passed its $8.4bn share in the IMF quota increase.

The U.S. Government has already said it would not contribute to the central bankers' loan to the IMF.

Dr Fritz Leutwiler, president of the Bank for International Settlements, said last night he was "hopeful" that Brazil would repay all the $1.05bn outstanding in short-term loans from the BIS and Saudi Arabia by the end of this month.

This is further confirmation that the IMF's programme for Brazil is likely to go ahead. Brazil has said it would only repay the BIS money when the IMF resumes loan disbursements halted in May because of Brazil's failure to comply with its economic targets.

Continued on Page 16

Germans find bank rescue cheap at the price

By Jonathan Carr in Bonn

THE GHOST of the Herstatt debacle nearly a decade ago still stalks the corridors of West German banks. No sooner had the painful rescue of the private bank Schröder, Münchmeyer, Hengst and Co. (SMH) gone through last week, than those involved were anxiously stressing almost before they were asked: "It isn't another Herstatt."

There are big differences between the collapse of Bankhaus I. D. Herstatt in June 1974 and the SMH affair. The key one is precisely that the German banking community rushed in to support SMH before the worst could happen.

The shocked bankers gathered at a midnight meeting in Frankfurt ground their teeth as they pledged well over DM 600m ($225m) to keep SMH afloat. But they knew that if the stricken institution were to fail, the loss of confidence at home and abroad in the West German banking system would prove far more costly. It could almost be said that in view of the possible consequences, the rescue was cheap at the price.

Moreover, while Herstatt fell because of huge losses in fraudulent foreign exchange dealing, SMH over-extended itself by lending to industry, especially to the IBH building machinery group of the dynamic Herr Horst-Dieter Esch. Last Friday, IBH applied for court settlement proceedings to avoid bankruptcy but Herr Esch continues to insist that his group is basically sound and has a good future, so long as his creditors and shareholders do not desert him.

Despite the differences, the SMH affair raises basic questions about West German banking hardly less urgent than those which emerged over Herstatt, and which at first sight may look more baffling. After all, the Herstatt collapse speeded an amendment in German banking law in 1976, with much tougher rules on credit and supervision.

Among other points, no individual large loan could exceed 75 per cent of a bank's "capital at risk" (share capital plus reserves) and the five biggest loans must not exceed three times capital. The Bundesbank, the West German central bank, and the Federal Banking Supervisory Office were given powers to gain more information and move quickly if there were signs that something was amiss.

SMH has not only been among

Continued on Page 16

Ozal seeks accord with Turkish junta

BY OUR ANKARA CORRESPONDENT

MR TURGUT OZAL, whose Motherland Party has gained a working majority in the new Turkish Parliament, is preparing to establish a working relationship with President Kenan Evren and the country's armed forces.

Mr Ozal said yesterday that he would ask to see President Evren this morning. He made clear that the meeting would take place at his initiative.

He said he was sure the President would go ahead and appoint him as Prime Minister, and that there was no question of trying to impose a coalition.

His remarks followed speculation in Ankara that he might have difficulty in building up a satisfactory relationship with President Evren because of embarrassment to the army after the President's thinly veiled appeal on Friday night for voters to reject the Motherland Party, and vote for the Nationalist Democracy Party and its leader, former General Turgut Sunalp.

Ankara Radio did not broadcast news of Mr Ozal's overall majority in Parliament until Monday evening, and no pronouncement on his victory was forthcoming from official circles.

The defeat of the Army's favoured party, the NDP, has sent shock waves through the Turkish political establishment. Three senior ministers in the Government of Mr Bulent Ulusu, the outgoing prime minister, failed to win seats in the new Parliament. Even Mr Ulusu got in only narrowly.

The NDP's leader, Mr Turgut Sunalp, conceded defeat early in the day. It is assumed in Ankara that he and his party – which won only 72 seats compared to the 211 of the Motherland Party, and 113 of the Populist Party – will now play only an insignificant political role.

The main opposition party will be the Populist Party, which won the solid support of state-sector employees and organised labour in the large cities.

The party's relative success seems to have taken even its founders by surprise.

Ten seek gesture from Ankara; Editorial comment, Page 14

Andropov misses parade

By Anthony Robinson in London

MR Yuri Andropov, the ailing Soviet leader, broke more than six decades of Soviet tradition when he failed to appear yesterday at the military march past in Moscow's Red Square celebrating the 66th anniversary of the Bolshevik revolution.

His place on top of the red marble Lenin Mausoleum was taken by Marshal Dmitri Ustinov, the Defence Minister, flanked by Politburo member Mr Konstantin Chernenko and Mr Nikolai Tikhonov, the Prime Minister.

Some 90 minutes after the end of the march past by crack parade troops and ageing military hardware, an unidentified man sat down in front of Lenin's tomb and set fire to his petrol-soaked clothes before being bundled away by plain clothes policemen. An accomplice started explaining the reasons for the protest, but he, too, was arrested and eyewitnesses failed to catch the motive behind the action.

Potential successors, Page 18

CONTENTS

EUROPEAN NEWS

Washington split on Geneva talks

BY BRIDGET BLOOM AND JAMES BUCHAN IN BONN

THE U.S. ADMINISTRATION is reportedly divided over whether to make a last-minute offer at the Geneva negotiations on controlling nuclear weapons in Europe. No decision is likely to be made before the end of this week when Mr Kenneth Dam, Deputy U.S. Secretary of State, and Mr Richard Burt, Under-secretary for European Affairs, have completed intensive consultation with Nato allies.

These began in London yesterday and continue in Bonn today and are also aimed at *improving* U.S.-European relations in the aftermath of the intervention in Grenada.

Herr Helmut Kohl, the West German Chancellor, said yesterday that Washington is most likely to put forward precise numerical proposals on medium-range nuclear weapons before the possible suspension of the talks at Geneva.

His remarks, made after his return from a tour of Asia, seemed to confirm U.S. reports last week that Mr Paul Nitze, the U.S. negotiator in Geneva, wants to make as precise a proposal as possible as a gesture of goodwill in the face of Soviet threats to leave the talks.

However, the Administration is understood to have rejected specific proposals for a new offer submitted to Washington last week. It was reported over the weekend that he had proposed that the U.S. should offer a global ceiling on each side of 600 nuclear warheads on medium-range land-based missiles.

Mr Nitze's proposals have apparently been turned down in Washington on the grounds that the numbers of warheads are too high and would allow the Soviet Union to retain too many missiles in the Far East.

Whether Mr Nitze is authorised to put forward amended proposals at Geneva will depend on this week's consultations which culminate in a meeting of Nato's Special Consultative Group in Rome on Thursday.

Bonn's view will determine the U.S. decision, officials say. It is likely to want a new offer made even if only to attempt to re-assure the West German public of U.S. good intentions in advance of the critical Bundestag debate on the missile issue in two weeks time.

Herr Kohl said yesterday he had received a letter from President Nicolae Ceaucescu of Romania, proposing that the problem of the British and French nuclear weapons be set aside and addressed later in talks at which the UK and France could take part.

The latter has also been sent to Presidents Yuri Andropov and Ronald Reagan. Herr Kohl described this support for the Western position out of Eastern Europe as "highly significant."

Ten seek human rights gesture from Ankara

BY JOHN WYLES IN BRUSSELS

FORMATION of a democratically elected government in Turkey should lead to an early improvement in political relations with the EEC including the release of a £342m Community aid programme for Ankara.

But according to Community officials here yesterday, the new government must aid the rapprochment process by making an early gesture in the field of human rights such as ending the trials of the 52 DISK trade union leaders.

EEC-Turkey relations have been steadily deteriorating since the 1980 military coup because of the Ankara regime's worsening human rights record. The freezing of an Ecu 600m (£426m) financial protocol which was supposed to run from 1982-87 has become the symbol of the Community's disenchantment.

But following news of the apparent election success of Mr Turgut Ozal and his Motherland Party, officials believe that a thaw in EEC-Turkey relations could begin next month. The new government's foreign minister is expected to take advantage of his presence at a Nato ministerial meeting in Brussels to visit the European Commission to discuss the future of the financial protocol.

But any Commission initiative to activate the grants and loans programme would be delayed until after soundings had been taken in the European Parliament and member governments had also clearly reacted positively to developments in Ankara.

Clear divisions among the Ten emerged last year after the referendum on a new constitution for Turkey. Both West Germany and the UK, under strong U.S. influence, have argued for a more flexible approach. But this has been vetoed by France, Denmark and the Netherlands which have demanded greater liberalisation on human rights.

These three governments are among the sponsors of a complaint against Turkey to the European Court on Human Rights which is due to be heard in Strasbourg in December.

Once this is out of the way and providing the new Turkish Government is clearly moving in the direction of greater liberalisation, then officials believe that the Community's relations with Turkey can begin to improve.

The European Commission yesterday put out a guarded statement interpreting the Turkish election results as a "positive event" but stressing that a lot needed to be done to restore "true democracy" to Turkey.

Portugal's trading deficit 'controlled'

By Diana Smith in Lisbon

PORTUGAL'S current account deficit is now under control according to Prof Ernani Lopes, the country's Finance Minister.

Bank of Portugal officials estimate that thanks to continued reduction in imports and steady growth of exports the 1983 deficit on the current account could come in at about $1.7bn, $300m less than the target stipulated in Portugal's letter of intent.

Prof Lopes, addressing a seminar of 160 foreign bankers organised by the Banco Portuges do Atlantico, said that he saw no reason to doubt that the main goals of the short term emergency policy would be attained in 1984 if the Government's policies were pursued with determination.

Short term goals he said implied clear containment of domestic demand, with roughly stagnant gross domestic product this year and a contraction in 1984, of 1.4 per cent. This will be the result of significant reduction of about 12 per cent in the volume of investment.

Prof Lopes said that this is the moment to prepare a crucial turning point in the management of the Portuguese economy, breaking a ten year old vicious circle of stop-and-go policies.

EEC takes further action to restrict Spanish steel

BY PAUL CHEESERIGHT IN BRUSSELS

THE EEC has stiffened its defences against the sale of Spanish steel products.

In its third action against Spain in 18 months, it

- imposed a provisional anti-dumping duty on Spanish exports of concrete reinforcing bars;
- suspended the bilateral price agreements covering the sales of this product;
- mounted an anti-dumping investigation.

The measure is of immediate interest to the West German steel industry. West Germany is the main target for Spanish *concrete reinforcing* bar sales in the EEC, taking in 4,140 tonnes in 1980, 25,740 tonnes in 1982 and 84,849 tonnes in the first half of this year.

The Bonn Government has recently mounted a strong campaign against the European Commission's administration of the EEC's steel crisis regime and protested vigorously about the high proportion of imports which find their way to the West German market.

This campaign coalesces with the particular action on concrete reinforcing bars.

The Commission started talks with Spain before the summer about the working of the bilateral agreement covering the quantity and price of Spanish steel sales on the EEC market. In October, Eurofer, the steel industry confederation lodged its anti-dumping complaint, thereby bolstering the Commission case against Spain.

The provisional anti-dumping duty lasts for four months and will be levied at Ecu 38.79 (£22.11) a tonne or the difference between the Spanish contract price and the EEC base price for concrete reinforcing bars—whichever is the higher.

Spanish prices, the Commission said, have been undercutting EEC base prices by an average of 12.4 per cent. This forced Community producers to lower their own prices below cost and is therefore held to have undermined the restructuring effort of EEC industry.

French left wing suffers more setbacks at polls

BY PAUL BETTS IN PARIS

THE LEFT suffered further setbacks at elections in two Paris suburban communities at the weekend. One of the polls also confirmed the rising popularity of the extreme right-wing National Front which has capitalised on France's growing North African immigrant problem.

The elections at Villeneuve Saint-Georges and Aulnay-sous-Bois in the Paris "red belt" suburbs were reruns of those held last March will were annulled because of electoral fraud by the Communist Party.

In the first round of the rerun election at Villeneuve, the opposition list won outright with 50.2 per cent of the votes. At Aulnay, a second round will be necessary although the right-wing opposition list made a strong showing. It gained 45.13 per cent of the votes compared with 40.35 per cent for the list led by M Pierre Thomas, the Communist Mayor.

Perhaps the most significant aspect of the Aulnay poll, however, was the 9.32 per cent polled by M Guy Viarengo, the National Front candidate. Although the Front will be out of the second round, its strong performance was an important success for the party.

Last September the National Front polled 16.7 per cent at local elections in the town of Dreux where the race issue dominated the campaign. Race also played a prominent role at Aulnay, a community near Le Bourget airport and home of a large Citroen car factory with considerable immigrant labour.

The weekend's results appear to reflect in part local dissatisfaction with the formerly Communist-run local administrations especially after they were found guilty of fraud in the March elections.

The polls have taken on broader significance, however, and have been viewed as national tests of the popularity of the Left in France which is going through a particularly bad phase. At three other local elections held since the summer the Left has been defeated.

The opposition has used these local elections as examples of the growing feeling of discontent with the Left-wing Government's economic and social policies. But although the opposition has clearly been encouraged by the results, it is also increasingly concerned by the National Front's growing popularity.

This could pose considerable problems for both the neo-Gaullist RPR and the centrist UDF which will have to decide whether to ally themselves with the Front in election lists where it is building a strong popular presence.

At Dreux, the RPR decided to team up with the National Front which caused considerable controversy and disconcerted leading party members. For the second round at Aulnay, the RPR candidate said he did not want to ally himself with the Front since he expects to win without them next Sunday.

Computer to track down lost cargoes

By Fay Gjester in Oslo

A NORWEGIAN company is planning to assemble a computerised register of lost and found cargoes that could save the world's shippers and insurers millions of pounds a year.

Data Tracer International claims to be the first of its kind. It will collect information from an international network of subscribers including shipping lines, forwarders, marine insurers and port authorities.

Rewards will be paid for "input" which helps trace a lost cargo. The claims and recoveries office of Lloyd's of London has already promised to supply details of lost goods.

According to Mr Ib Eriksen, an executive with the company, cargoes "lost" in the international transport system are worth several billion pounds annually. Some are stolen, some simply go astray because they are loaded on to the wrong ship or aircraft, and then turn up in a terminal where no one claims them.

Data Tracer is using leased computer facilities at present. Early next year, however, it will buy its own hardware. This will be installed in the little village of Byremo, an hour's drive from Kristiansand in the south of Norway. This rural location, as well as being more economic, makes it easier to maintain security, says Mr Eriksen.

French industry forecast to shed ½m jobs

By Paul Betts in Paris

EMPLOYMENT IN French industry is expected to decline by 500,000 by 1988, according to a report by the Government statistics institute, Insee. It says industry will shed 86,000 jobs a year over five years. This is an improvement from the 1979-82 rate of 108,000 jobs a year.

The latest figures are in line with other forecasts. With unemployment in France at just over 2m, many economic and industrial experts have suggested that 2.5m unemployed would represent a more realistic level in view of excess manning in industry generally.

The Insee report also emphasised the need for industry to make a serious effort to modernise itself.

Orders increase in W. Germany

By Rupert Cornwell in Bonn

FURTHER evidence of the gradual West German recovery emerged yesterday in figures showing a growth in industrial orders, particularly from abroad.

According to preliminary data from the Federal Statistics Office, orders increased by 1 per cent between August and September. Taking the two months together, the rise was 2.5 per cent over June and July, with domestic orders climbing 0.5 per cent, and export orders 3.5 per cent.

New manufacturing orders, therefore, were 5 per cent higher in volume in the third quarter than during the same period of 1982.

Attacks on Iran Air

ANTI-KHOMEINI exiles attacked Iran Air offices in five cities yesterday, spray-painting the walls with slogans, ripping down pictures of Iranian leader Ayatollah Ruhollah Khomeini and assaulting an office manager.

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Solidarity calls for protests

By Our Foreign Staff

UNDERGROUND Solidarity leaders have called for "common opposition" to the food prices increases which the Jaruzelski Government is to introduce early next year and to last week's reimposition of butter rationing.

With inflation running at 28 per cent so far this year, the reaction shows how extremely sensitive the *issue of consumer supplies* is becoming. A rush on washing powder in the shops has also brought urgent government denials that that is to be rationed. The Solidarity statement, dated November 1, was distributed to Western journalists yesterday.

Early last week a wave of anger greeted the butter rationing decision and on Thursday the Government Council of Ministers was called into special session on the issue. As a result, Mr Zygmunt Lakomiec, the minister concerned, was publicly reprimanded.

Hawke wins party support for uranium compromise

BY COLIN CHAPMAN IN SYDNEY

MR BOB HAWKE, the Australian Prime Minister, yesterday comfortably won the support of his Labor parliamentary party for a uranium policy that gives the go-ahead to the A$1.7bn (£1bn) Olympic Dam uranium-copper-gold project at Roxby Downs in South Australia and two uranium supply contracts for the existing Ranger development in the Northern Territory.

The package, approved by 55 votes to 46, also provides that no other mines be developed immediately, and that any further contracts at Ranger and Nabarlek, also in the Northern Territory, be deferred pending an inquiry into safeguards on waste disposal and into Australia's role in the non-proliferation of nuclear weapons.

The vote on the Cabinet-sponsored package, a policy which had already led to the resignation of one minister last week, brought nine MPs back from trips to Europe, Africa and the U.S. and represented the greatest test of the Prime Minister's authority in his eight months of government.

For Labor's Left, the decision was the most important defeat since the 1960s, when it led its weary party into unsuccessfully opposing Australian involvement in the Vietnam war.

The Left, which above all lacks an articulate leader, sought to stop development of Olympic Dam pending a public enquiry and to ban all new contracts at existing mines.

Meanwhile, the Liberal Party opposition, which finds the compromise package potentially still too restrictive, pointed out that even yesterday's vote did not end the affair within the Labor Party itself. Mr Andrew Peacock, leader of the opposition, called the decision a "disaster."

He said the Labor Party would continue to be racked by internal division and that the country would probably have to wait until the next party conference in July before any final decision on uranium policy was reached.

Reaction by business was mixed. The Australian Chamber of Commerce welcomed the Olympic Dam go-ahead but said that, because the decision did not permit the development of any other new uranium mines, this could mean a loss of more than A$1bn (£613m) in new investment in the Northern Territory and the loss of thousands of potential jobs.

The Olympic Dam venture, a partnership between Western Mining Corporation and BP Australia, was last estimated to have reserves containing some 32m tonnes of copper, 1.2m tonnes of uranium oxide and 38.5m oz of gold.

Mining news, Page 25

Asean ministers postpone action against Australia

BY KIERAN COOKE IN JAKARTA

FOREIGN ministers of the Asean countries—Indonesia, the Philippines, Malaysia, Thailand and Singapore—said they would postpone any action against Australia until after a visit to Bangkok later this month by Mr Bob Hawke, the Australian Prime Minister.

Australia angered the members of the Association of South East Asean Nations by failing to co-sponsor a resolution at the UN last month condemning the presence of Vietnamese troops in Kampuchea.

Although Australia did eventually vote in favour of the resolution, Asean, sensitive to the politics of its southern neighbour, was quick to react.

Annual trade talks between the group and Australia were postponed and there was even talks of sanctions.

The Indonesian Foreign Minister, Dr Mochtar Kusumaatmadja, says sanctions are unlikely although "the Australian action has to be taken into account."

Dr Mochtar said the foreign ministers had agreed that hopes for a settlement rested on a joint Asean appeal, made to Vietnam in late September, which, as a preliminary move, called for a Vietnamese withdrawal from Kampuchea on an area-by-area basis.

Israeli spending curbs approved

By David Lennon in Tel Aviv

THE ISRAELI Cabinet yesterday approved a series of steps designed to halt the deterioration in the economy by cutting public expenditure, curbing private consumption and encouraging exports.

A series of new levies have been imposed on the public, including a special education levy, a doubling of the travel tax to US$100, new taxation on children's allowances, and an effective raising of the marginal tax rate to 66 per cent instead of 60 per cent.

The ministers also approved measures designed to curb the benefits paid to civil servants and made it more difficult for those without work to receive unemployment benefits.

Mr Yigal Cohen-Orgad, the Finance Minister, said that he wanted to cut the standard of living by 7 to 10 per cent while also curbing public expenditure. The goal was to cut the budget by US$2bn.

The belt-tightening measures, not all of which were immediately made public, may lead to labour unrest. The civil servants' union gave a warning yesterday that its members would not accept any worsening of their terms of employment. Teachers have called for opposition to the school levy.

The economic recovery programme also includes credit terms for all but export industries.

● There were demonstrations of support for PLO chairman Yassir Arafat in various parts of the Israeli-occupied West Bank yesterday.

The Palestinians on the West Bank were clearly upset by the fighting between the PLO factions in Tripoli, which they felt could only weaken their own position and reduce their faint hopes that one day they might attain self-determination.

Shops in Arab East Jerusalem were closed as a result of a sympathy strike by merchants, and there were clashes between Palestinian demonstrators and the Israeli security forces in several towns.

A curfew was imposed on the Deheisha refugee camp near Bethlehem after one Arab youth was shot in the leg

How Tunisia's Mzali has reinforced his authority

BY FRANCIS GHILES

THE RESIGNATION of M Azouz Lasram, the Tunisian Minister of Ecnomic Affairs, has considerably reinforced the authority of the country's Prime Minister, M Mohamed Mzali.

The departure of M Lasram, coming less than four months after the dismissal of the Minister of Finance, M Mancour Moalla, has allowed M Mzali to place men who are close to him in three key positions—Planning, Finance and Economics—and given the Prime Minister full authority over his Government for the first time since he came to power three-and-a-half years ago.

M Rashid Sfar, the new Minister of Finance, is widely respected for his competence and integrity, while M Ismael Khelil, who took over Planning in June, won his spurs as ambassador to the EEC and Tunisian representative at the World Bank.

M Mzali will need this authority to tackle the severe problems the Tunisian economy faces. The Banque Centrale de Tunisie issued a stern warning about the lean years which lie ahead, in its annual report published last August.

It noted that economic growth in 1982 failed to match the targets set in the 1982-87 Economic Development Plan Lower output and prices for crude oil, Tunisia's major hard income earner, a decline in the number of foreign tourists, poor crops and a slowing-down in the manufacturing sector, cut the country's foreign income and led to a deterioration in the balance of trade, whose deficit had increased by 23.7 per cent to Dinars 783m (£767m).

A 10 per cent increase in the trade deficit during the first six months of the year, compared with the same period in 1982, forced the Tunisian Government to announce a series of measures which include restricting imports of certain raw materials and semi-finished goods to 80 per cent of 1982 volumes and boosting exports.

The Government has also decided to cut, substantially, subsidies which have kept the price of bread unchanged for

Mohamed Mzali

20 years. On January 1, 1984, the price of bread will be doubled and that of flour sharply increased.

The cost of such subsidies has been growing by an average of 26 per cent a year since 1976. It will reach Dinars 188m this year and could rise to Dinars 220 in 1984.

Meanwhile, Tunisia's food import bill has been growing and today, accounts for more than 10 per cent of all imports. Nearly half the cereals consumed every years has to be imported.

This is the result of fast rising consumption, fuelled by generous wage settlements since 1981 and the decline in agricultural output, by 2 per cent a year during the last plan, and 5 per cent in 1982, despite a 5 per cent growth target in the current Development Plan.

Drought conditions in 1982 cannot carry all the blame as the agricultural sector has been neglected since 1969.

Cutting food subsidies is fraught with danger. The Prime Minister has bought social peace at a high cost but knows he cannot buy time much longer.

Removing M Moalla and M Lasram, who tended to take a rather independent line, will ensure greater government cohesion, but the austerity measures the former Minister of Finance was urging on the Prime Minister last winter are urgently needed.

M Mzali is no economist himself but is an adroit politician. As heir-apparent to an ageing President Bourguiba, he feels obliged to curry favour with the public.

He has been able to count on a balance-of-payments surplus, despite a current account deficit, the result of the strong flow of foreign capital into Tunisia.

The strength of this flow, particularly when it originates in the Middle East, is one of the major contributions of M Moalla's three years in office. Tunisia's credit with international banks also remains good.

The growing network of small textile and mechanical industries, a flourishing phosphoric acid and fertiliser sector, and a well-established network of hotels, are all good cards.

But, as the price of oil declines, tourist receipts stagnate because of the recession and high value of the Dinar, and as EEC protectionism grows, Tunisia knows it cannot continue to live above its means.

S. African foreign reserves almost halved

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S foreign currency reserves almost halved last month, providing further evidence of the sharp turnaround in the country's economic fortunes in recent weeks.

According to the Reserve Bank, the foreign exchange component of the reserves tumbled from R1.0bn at the end of September to R572m on October 31. The value of the bank's gold holdings rose slightly to R3.2bn mainly as a result of a small upward adjustment in the market-related valuation price.

A Reserve Bank spokesman said the decline was due to unspecified capital outflows. The most likely cause was heavy sales by foreigners of gold and other mining shares on the Johannesburg stock exchange as the bullion price sank below $400 an ounce.

The fall in the reserves helps explain the authorities' decision to allow the rand to drop to a record low of 81.60 cents last week, despite their concern at the inflationary impact of dearer imports. The rand closed yesterday at around 85.35 cents.

Standard Bank, the country's second largest banking group, said in its monthly economic review yesterday that the fall in the gold price, unexpectedly high government spending, weak markets for South Africa's other exports and high interest rates have reversed earlier signs of a tentative economic recovery.

To add to the gloomy picture, a senior government official has hinted that tax increases are unavoidable in next March's budget.

Mr Gerhard Croeser, Deputy Director-General of Finance, said that South Africa will not be able to meet the target of a budget deficit equal to 2 per cent of gross domestic product laid down by the IMF as part of the conditions for last year's 1bn SDR loan to Pretoria.

According to Standard Bank, government spending will probably rise by 14 per cent this year, compared to the budgeted figure of 8.3 per cent. The overrun is due mainly to spending on drought relief, a higher debt burden as a result of record domestic borrowings and wage increases for civil servants announced before last week's referendum on a new constitution.

Malaysia in grip of crisis

By Wong Sulong in Kuala Lumpur

A CONSTITUTIONAL crisis in Malaysia between Dr Mahathir the Prime Minister, and the country's nine sultans; has widened following Dr Mahathir's decision to bring the issue into the open.

It began at the rulers' conference last month when the sultans were reported to have agreed unanimously to reject the controversial constitutional amendment Bill, which seeks to reduce their royal powers.

Dr Mahathir retaliated by summoning a meeting of the Supreme Council of his ruling United Malays National Organisation, Umno, and orchestrating a campaign in the Government-controlled Press, aimed at trying to push the King, Sultan Ahmad Shah, into signing the Bill.

The rulers are opposing the Bill because they fear that once it becomes law, their future would be in the hands of the Prime Minister. Under the Bill, the power to declare a state of emergency would be transferred from the King to the Prime Minister.

Muzorewa 'on hunger strike'

A Zimbabwe Government Minister confirmed yesterday that Bishop Abel Muzorewa, the former Prime Minister, is on hunger strike in Goromonzi prison near the capital. The Minister of State for Security, Mr Emmerson Munangagwa, said the Bishop would be "force-fed . . . unless it is against his religion."

● Bishop Muzorewa's son Philemon, aged 26, was arrested by police yesterday

Hope grows for India's industry

BY K. K. SHARMA IN NEW DELHI

AN IMPROVEMENT in India's industrial production and the investment, which have been stagnant for the last couple of years, was acknowledged yesterday by Mr N. D. Tiwari, Minister of Industry.

He told a Parliamentary committee that industrial production had increased by 3.5 per cent during April to June compared with the same period last year.

The number of industrial licences—needed before any major venture can be started in India—in the first nine months of 1983 was 792 compared with 339 in the same period of last year, Mr Tiwari said.

He was hopeful that, with the continued improvement in agricultural production and incomes, demand would increase so that industrial output would improve further in the second half of fiscal 1983-84 and the adverse affects of two years of continuous drought would no longer be felt.

India's private industrialists are less hopeful, however, and their chambers of commerce pointed out recently that an industrial growth of 3.5 per cent was not impressive. They said it maintained last year's trend of around 3 per cent compared with the target of 8 to 10 per cent a year

AMERICAN NEWS

Defence key issue during Reagan's Far East visit

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan leaves today on a six-day visit to Japan and South Korea intended to underline the U.S.'s continuing role as a Pacific power and reaffirm the importance of relations with its two main Asian allies.

In both countries, Mr Reagan is planning to emphasise the need for strong defence in the face of a growing threat from the Soviet Union and for closer trans-Pacific trade and economic collaboration.

The two-day trip to South Korea at the weekend is likely to be a particularly emotional occasion in the aftermath of the September 1 shooting-down of the Korean airliner and last month's Rangoon bomb attack that killed four South Korean Cabinet Ministers and other leading officials.

With vague threats against the visit emanating from North Korea, and the prospect of anti-U.S. protests in Japan, there has been considerable concern in Washington about Mr Reagan's personal safety. U.S. security officials, however, say they are convinced he can be protected.

Mr Reagan's broad aim is to assert an image as a world statesman, at a time when his foreign policies have entered a period of considerable flux following the Beirut bombing of the U.S. marines and the invasion of Grenada.

With the U.S. elections now less than a year away, he will also want to show he can advance U.S. economic and commercial interests through Presidential diplomacy.

The talks in Tokyo and Seoul are not intended to lead to the signing of any agreements, Mr George Shultz, the State Secretary, said last week. They are meant rather to be part of an "important process" in cementing relations

Senior Administration officials say they hope Mr Reagan and Mr Yasuhiro Nakasone, the Japanese Prime Minister, will be able to say after their meetings that relations between the two countries have been greatly strengthened and that a number of trade issues "have been resolved or are nearing a solution."

The main U.S. concern in the trade field continues to be to gain greater access to the Japanese market for U.S. products which Washington believes to be genuinely competitive.

Examples cited in Washington are pulp and paper, petrochemicals and a range of high technology products, including computers, medical instruments and telecommunication equipment.

Mr Reagan's team, which includes Mr Shultz, will also want to discuss the yen-dollar relationship, in which the U.S. believes that an undervalued yen gives Japan an unjustified competitive edge — largely due to the nature of Japan's capital market structure.

Washington wants to pursue past discussions on the opening of the Japanese capital market and the "internationalisation" of the yen.

On the defence front, U.S. officials say that Tokyo and Washington are in broad agreement on the overall Japanese objective of expanding the country's defence role.

But the U.S. continues to believe that Japan could move faster towards increasing spending, and meeting its new defence objectives.

Trade issues will also be important in South Korea, where U.S. officials say they see "very worrisome signs" in the way the country manages its exports, particularly steel, and sets non-tariff barriers in the way of inward investment.

Mr Reagan's main political aim in South Korea, however, will be to renew the U.S.'s commitment to defend the country, where 39,000 U.S. troops are stationed.

Mr Reagan will pay a highly-publicised visit to the demilitarised zone, separating the massed armies of the two Koreas.

Trudeau may stay on for next election

By Nicholas Hirst in Toronto

The decision of Canada's Prime Minister, Mr Pierre Trudeau, to make a whirlwind crusade for peace to European heads of state this week has raised new questions at home about whether he intends to retire before the next Canadian elections.

Having been universally convinced that the domestically unpopular Mr Trudeau would stick to his word, and resign before the next election, which has to be held by early 1985, and is more likely to be called in autumn next year. Canadian political commentators are now hedging their bets.

Trudeau was widely expected to announce his resignation at a Liberal party fund-raising dinner in Toronto on December 13, irreverently dubbed "the last supper" by Liberal insiders.

That date now looks far too early as, if Mr Trudeau does announce his resignation, his prospect of being a force in international relations would be bound to diminish.

The debate in Canada now is whether Mr Trudeau wants to use the peace initiative to go out in a blaze of glory or whether he intends to use it to run again.

Some Liberals are suggesting that the party is now so low in the polls that it would do better for him to run and lose than to damage a new leader with defeat.

Some are suggesting that perhaps Mr Trudeau, 64, who, except for a brief time, has been in power since 1968, is still the only man who could lead them to victory.

The longer Mr Trudeau delays a decision, the more difficult it will be to get the necessary leadership convention organised in time to give a new leader the opportunity to win popular support, and reverse the fortunes of a Government suffering from blame for near-record unemployment.

In his peace initiative, Mr Trudeau has found an issue which has strong domestic appeal. He told the House of Commons: "As far as I am concerned, no personal enterprise and no prority other than the pursuit of peace is important enough to take up all my time and energy."

William Chislett reports on political change in Washington's backyard

Panama poll heralds shift to left

PANAMA, the home of the canal which acts as a funnel for world trade and also of the largest offshore banking centre in the Americas, is moving towards its first democratic elections in 16 years amid considerable political uncertainty.

The surprise move recently by Gen Ruben Dario Paredes, the former head of the National Guard, to withdraw his presidential candidature for the Ruling Democratic Revolutionary Party (PRD) has altered the country's political map at a stroke.

Gen Paredes, a staunch anti-Communist, had moved Panama much closer to the U.S. after the death in 1981 of the country's strongman, Gen Omar Torrijos. Gen Torrijos, whom President Reagan once called a "tinhorn dictator" helped the left-wing Sandinistas to power in Nicaragua by giving them logistical support. He maintained close relations with Gen Fidel Castro of Cuba and other revolutionaries in the region.

Gen Paredes, who openly supported Washington's militaristic policy towards Central America, recently said that if he became President he would break diplomatic relations with Nicaragua and Cuba.

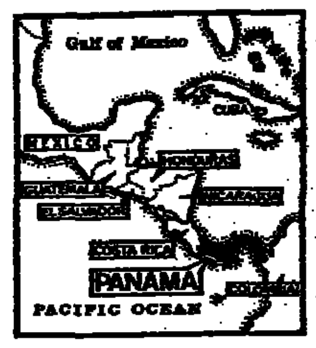
His chances of becoming President however were dashed only two weeks after he resigned from the command of the National Guard, the country's only armed force, to campaign for next May's general elections.

Gen Paredes, an abrasive and highly ambitious man, had started to form a parallel government in ministries and the PRD. When President Ricardo de la Espriella, who was helped to power by Gen Paredes, reshuffled his Cabinet in September, Gen Paredes tried to enforce his list of new ministers upon the President. Sr de la Espriella protested and told Gen Manuel Antonio Noriega, the new head of the National Guard, that he would resign unless he could choose his own ministers.

This, said officials, was the trump card which Gen Noriega had been waiting for. It gave him the opportunity to ease out Gen Paredes on the grounds that he was causing a political crisis. Sr de la Espriella named his new cabinet and Gen Paredes, aware that his power base had disappeared, had no option but to throw in the towel.

Gen Noriega, a Machiavellian figure (for many years he ran the country's intelligence services) is now the real power and kingmaker in Panama. Had Gen Paredes become president the two men would have been vying for power.

Gen Noriega is taking a less pro-U.S. stance towards Central America. He is backing the Contadora group of Latin American countries which has worked out a negotiated settlement to end the civil war in El Salvador and ease tension between Honduras and Nicaragua. Gen Paredes flew in the face of his own government by undermining the Contadora peace initiative which Panama helped to establish.



The most likely choice for the PRD's presidential candidate is Sr Ernesto Perez Balladares, who represents the centre-left wing of the party. He is a former Planning and Finance Minister and Secretary-General of the PRD, which was founded in 1979 by the late Gen Torrijos to legitimise his "revolutionary process." Sr Perez Balladares was one of Gen Torrijos's choices to be president in 1984 when the general intended to take much more of a back seat.

The candidature of Sr Perez Balladares, aged 36, a member of a wealthy family, has been "imposed" upon the PRD by the National Guard, according to a senior member of the party. Unlike Gen Paredes, who had broken the consensus line of policies started by Gen Torrijos, Sr Perez Balladares is considered capable of forging a coherent party out of the PRD's disparate and squabbling mixture of Marxists, Social Democrats and businessmen and of forging electoral alliances to ensure victory.

The PRD has been quickly purged of Gen Paredes's supporters including his uncle, Rigoberto, the secretary-general, who had almost to be evicted from his office. The party's left wing, which passionately hated Gen Paredes, now occupies all the key posts.

Washington is keenly watching events in Panama. It is nervous of abrupt political change and instability or a nationalistic backlash against its presence. Apart from the canal, which the U.S. controls until the year 2000, the U.S. Southern Command is also based in Panama. The Command is the U.S. military and intelligence centre for Central America.

It is also the staging post for military reconnaissance flights over the region and the transhipment of arms to the U.S.-backed Government in El Salvador and to right-wing Nicaraguan rebels in Honduras fighting to overthrow the Sandinista Government in Managua.

Negotiations have already started over the future of the School of the Americas, part of the Southern Command, control of which passes to Panama next October under the canal treaties. The school provides training for Latin American officers in a region dominated by military dictatorships.

If Panama presses for full control of the school, the U.S. would have to consider relocating it. The new base in Honduras where Salvadorean troops are currently training is an obvious alternative.

Foreign groups invest more in New York City

By Terry Dodsworth in New York

FOREIGN COMPANIES have markedly stepped up their rate of investment in New York City over the last six years, with the influx led by the Japanese, French and British.

According to a survey produced by the New York Chamber of Commerce and Main Hurdman, the accounting and tax group, more than a quarter of all foreign companies in the city began their operations in the last six years, about equal to the number that established themselves in the previous 12 years.

Direct foreign investment in the U.S. has been increasing rapidly, rising from $34.6bn in 1977 to about $102bn at the end of last year.

U.S. denies Grenada issue has harmed ties with UK

BY OUR FOREIGN STAFF

MR KENNETH DAM, U.S. Deputy Secretary of State, yesterday dismissed suggestions that British complaints over lack of consultation on Grenada had damaged the "special relationship" between the two leading Nato nations.

Mr Dam, on a fence-mending exercise to a dozen European countries in the wake of the U.S. invasion, told Mrs Thatcher at Chequers yesterday: "Our judgment is that the relationship is fundamentally sound."

Their discussions, which the U.S. had requested at short notice last week, centred on future developments in Grenada, including a British role in helping the Caribbean island's recovery and return to constitutional rule.

The U.S. official said another potential source of friction surfaced when Mrs Thatcher voiced "major concern" over the possible resumption of U.S. arms sales to Argentina.

Mr Dam said the Reagan Administration had taken no decision, but the question would have to be faced if Argentina's human rights situation improved under its newly-elected civilian government.

● U.S. officials said yesterday they had received reports that many bodies from the October 19 massacre of Grenadian Government officials had been taken to a military camp and burned in the days following the killings, Reuter reports from St George's.

Argentine Junta to hand over on Dec. 10

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S military rulers will hand over power to the new civilian authorities on December 10 and not January 30 as originally planned.

The earlier transfer, formally announced yesterday by a spokesman for President Reynaldo Bignone, follows the convincing victory of the Radical leader, Sr Raul Alfonsin in the election on October 30.

The clear majority achieved by the Radicals—52 per cent against a 40 per cent Peronist vote—has ensured a stable transition so far with none of the political violence which followed the previous elections in 1973.

With only a few days left before the start of the summer holidays, the festive atmosphere of election night seems set to continue until after Christmas.

Only in the defeated Peronist party—once the country's major political force—are there now feelings of deep gloom. The party leadership was meeting yesterday to preside over a bitter post-mortem on their electoral defeat with officials deeply divided over who should be condemned as scapegoats.

Sr Alfonsin has made somewhat more positive progress, moving with speed in the formation of his Cabinet.

The new Government line-up—Argentina's first civil administration since 1976—is expected to be announced by the middle of this week, opening the way for Sr Alfonsin's formal endorsement as President by the electoral college on November 30.

Barring a last-minute surprise, the Cabinet will be formed almost entirely by close aides of Sr Alfonsin, with the key post of Economy Ministey going to Sr Barnardo Grinspun, a former director of the Central Bank, who helped negotiate Argentina's debts in 1965.

Sr Grinspun has already had informal contact with the Argentine Central Bank on handling the immediate issues concerning the country's $39bn (£26bn) foreign debt.

According to senior bankers in Buenos Aires, the Radicals are not expected to raise any serious objections to the signature of 30 outstanding public sector rescheduling contracts worth some $6bn by December 15, the new deadline set by Argentina's foreign creditors.

WORLD TRADE NEWS

Britain stands to win China energy deals, says Walker

BY MARK BAKER IN PEKING

BRITAIN STANDS to win contracts worth hundreds of millions of pounds to develop China's energy resources, according to Mr Peter Walker, UK Secretary of State for Energy.

Mr Walker said China's top energy industry officials were enthusiastic about securing British technology and expertise in developing offshore oil, coal, gas and nuclear power over the next 10-15 years.

"Britain has a greater position than any other country in Europe to take advantage of China's massive development plans in these areas. I'm talking about hundreds of millions of pounds in contracts," he said.

During his visit to Peking, Mr Walker has met with all ministers responsible for energy develoment, and Mr Li Peng, the Vice-Premier, who was previously Minister of Power Industry.

"There is no doubt at all about their wish to establish a vigorous and lively relationship with us in these fields," he said.

He said Mr Li had "clearly indicated there is a very special relationship which needs to be built up between our two countries."

A number of big contracts were under negotiation, including a coal venture with Shell and a deal involving power generation turbines with Rolls-Royce. There were a great many other opportunities, particularly in offshore oil servicing, supply and rescue facilities.

Mr Walker said the Chinese were impressed by Britain's North Sea oil operations and were keen for British involvement in developing offshore gas reserves and coal-to-gas conversion projects in several major cities.

Mr Walker: talking about hundreds of millions

China has already signed a memorandum of understanding for Britain's GEC to supply non-nuclear components for a $6bn power plant in Guangdong provice, near Hong Kong.

● British Petroleum Development has started its first well in one of its South China Sea oil contract areas for which it signed with China last May Reuter reports from Peking.

This is several weeks later than it previously said it would begin. Oil industry sources said the delay was due to bad weather.

BP is operator of a consortium including Petrobras Internacional Braspetro with 15 per cent, Broken Hill with 20 per cent and Petro-Canada Exploration and Ranger Oil with 10 per cent each, with BP holding the balance.

Taiwan-U.S. trade talks

TAIPEI — Taiwan will send more than 280 businessmen to a three-day trade conference with more than 500 U.S. counterparts in Phoenix, Arizona, according to the Taiwan-U.S. Economic Council.

An official of the council said Chao Yao-Tung the Economics Minister, HSU Li-teh, the Finance Minister and K. H. Yu, the governor of the Central Bank, will also attend the meeting from November 28 to 30.

Official statistics show Taiwan's trade surplus with the U.S. was close to $4.87bn in the first nine months of this year, up from over $3bn in the same 1982 period.
Reuter

S. Koreans to build Libyan pipelines

By Our Foreign Staff

SOUTH KOREA'S Dong Ah business group has won a $3.3bn contract to construct two pipelines in Libya. The pipelines will have a combined length of 1,200 miles and will be made of pre-stressed concrete

The pipelines will be used to carry water for industrial and agricultural use and will connect Tazerbo in the Libyan desert and Bengazi on the Mediterranean coast and Sarir, also in the interior, and Sirt.

The seven-year project also will include building nearly 900 miles of accessory roads, a Dong Ah official said.

Price Brothers of the U.S. also will provide technical help in producing special concrete cylinder pipes, Dong Ah said.

The project will be undertaken by three group members, Dong Ah Concrete Industrial, Dong Ah Construction Industrial and Korea Express. Work is expected to start later this year.

The contract will be a big boost to the troubled South Korean construction industry, which last year suffered a 4 per cent fall in overseas contracts from the previous year. Most Korean construction business is concentrated in the Middle East, and is dominated by the Hyundai Engineering and Construction Company. But Korean business has given way to competition from construction industries in the Philippines, Thailand and Indonesia.

Thomson to update Kuwait air defences

THOMSON-CSF, the communications and defence subsidiary of the French nationalised Thomson group, has won a FFr 1.2bn (£100m) order from Kuwait to modernise the oil producing country's air defences, Paul Betts reports from Paris.

The contract, involving among other things the supply of Thomson radar systems, is the largest order to have been secured by the French company this year in this field.

Ian Rodger reports that prospects may improve after seven years of decline

World tractor sales set to stabilise

SALES OF agricultural tractors in the western world are likely to stabilise next year at around 600,000 units, after seven years of decline from the 1976 peak of 840,000 units, according to Mr Jim Felker, president of Massey-Ferguson's farm and tractor division.

M-F is the western world's largest tractor manufacturer.

Mr Felker, speaking in London, said most leading manufacturers, including M-F, were operating their factories at about 65 per cent capacity, and tractor selling prices were being cut by up to 40 per cent. But he saw no prospect of signficant rationalisation in the industry in the near future.

"There has been lots of discussion, but we don't see any of the majors getting together. There's too much history and pride involved, and the cost of a once-for-all rationalisation would be astronomical."

M-F, which claims a 15 per cent share of western world agricultural tractor markets, estimates that western world tractor sales fell 7 per cent from 642,000 units last year to about 600,000 units in 1983.

Sales in Europe, the largest market area, are likely to be down about 5 per cent to 259,000, mainly because of a slump in Italy due to high interest rates. Sales in Italy, normally Europe's second largest market after France, are likely to fall 20 per cent to 34,000 units this year.

Sales in North America are forecast to fall about 5 per cent to 131,000 units because of the effects of drought, low grain prices and the U.S. Government's payment-in-kind programme for reducing acreage under cultivation.

Sales elsewhere in the western world are likely to decline from 231,000 units last year to 205,000 units this year, mainly because of the weakness of Latin American markets.

Mr Felker cautioned that figures on unit sales tended to overstate the extent of the decline. A long-term trend towards tractors of higher horsepower reduces the numbers sold more than the power delivered. The forecast worldwide decline this year is probably 5 per cent rather than 7 per cent, he said.

Mr Felker said price discounting in world tractor markets worsened significantly this year. Starting in North America where dealer inventories were high, discounts of 30 to 40 per cent have become common throughout Europe as well. The normal historical rate of discounting was about 20 per cent, he said.

On the outlook for 1984, Mr Felker said high interest rates in the U.S., Britain, France and Italy would make farmers pause before buying new tractors, as would growing uncertainty about the future of the European Community's common agricultural policy (CAP).

"It doesn't matter what happens, it is just the uncertainty that will affect sales, especially in the dairy and arable sectors, which are the ones that cost the CAP the most money."

He thought the North American market offered better potential than it had for many years. Grain prices had improved significantly recently, tractor inventories were lower and it was unlikely the PIK programme would be renewed.

Some developing country markets were also likely to improve because rising commodity prices would bring them funds with which to pay for tractors.

"We are planning on a no-growth basis overall next year. The industry will continue to operate at about 65 per cent of capacity and discounting will continue, although it will probably not get worse."

M-F expects to manufacture about 90,000 tractors this year, of which 77,000 are being made at its British, French and Italian factories.

LEADING AGRICULTURAL TRACTOR MANUFACTURERS

Company	1982 Output
Massey-Ferguson (Canada)	108,000
Fiat (Italy)	80,000
Ford (U.S.)	73,000
International Harvester (U.S.)	70,000
John Deere (U.S.)	62,000
Deutz (West Germany)	25,000
Same (Italy)	25,000
J. I. Case (U.S.)*	21,000
Fendt (West Germany)	15,000
Volvo/Valmet (Sweden/Finland)	14,000
Renault (France)	13,000
Steyr (Austria)	11,000

* Includes David Brown of Britain.

Note: This table excludes Kubota and other Japanese manufacturers. Their production is mainly of small tractors (under 50 hp) mainly for sale in Japan.

W. Germans to make helicopter in Canada

By Robert Gibbens in Montreal

MESSERSCHMITT - Bolkow - Blohm of West Germany will produce a helicopter rotor system and a new version of its twin turbine B-105 helicopter at the Fleet Industries plant at Fort Erie, Ontario.

The MBB helicopter is a military model and can be used for coast guard work. The federal and Ontario provincial Governments are expected to put up about C$35m ($28m) towards the C$80m initial investment required.

Meanwhile Ottawa and Bell Helicopters, a division of Textron of Fort Worth, Texas, announced a seven-year C$514m project to build new lines of Bell light helicopters near Montreal for the international market. The federal Government preferred this project to another proposed by Aerospatiale of France, a major exporter of helicopters to North America.

Ottawa has made preliminary commitment to invest up to C$500m in the Aerospatiale-led A-320 Airbus 150-seater project once this gets off the ground. Canada in turn would receive component manufacturing orders.

BRITISH COMMERCIAL WEEK IN PADUA

Why Britain has a poor image in Italy

BY ALAN FRIEDMAN IN ROME

THE "SCHCHCH" went out of Italy last week when "you know who," after a stay of 10 years in the country, decided to pack up and go home.

Schweppes, the international soft drinks group based in the UK, is not unknown in Italy—even the alimentari in smaller Italian cities carry "Tonica"—but the management found it necessary to depart.

For the British embassy in Rome and the British commercial staff in Milan, the news of the Schweppes withdrawal could hardly have come at a worse time. Word of the imminent de-Schwepping of Italy leaked out just days before the start of a British Commercial Week in Padua, a five-day exercise designed to boost British penetration of the Italian market.

One diplomat, disheartened by the Schweppes pull-out, muttered about "companies whose London parent managements are totally and utterly clueless about how to do business in Italy."

None of this seemed to dampen the enthusiasm of Lord Bridges, the UK Ambassador to Italy, who yesterday morning opened the British Commercial Week amid the 16th century frescoed splendour of the Padua town hall. Lord Bridges spoke with pride about how much the UK has to offer Italy and announced seminars for the 150 invited Italian businessmen ranging from banking to the use of microcompters in secondary education.

But not even his enthusiasm can change overnight what British officials admit is a lack-lustre export performance to the Italian market. In the first eight months of this year, the UK market share of Italian imports has ben running at a level of less than 4 per cent, compared with German sales to Italy, which are nearly 16 per cent and French sales of just under 13 per cent.

Even the Soviet Union has a larger share of the Italian market, although natural gas sales account for much of this. British exports to Italy, which last year had a value of £2bn, are well below Italian exports to the UK—the 1982 figure was £2.75bn. In the first eight months of this year Italy has run a trade surplus with the UK of nearly £600m, while having an overall trade deficit.

Britain's single biggest export to Italy is petroleum and related products, which at £262m for the first eight months of this year, represents seven times the value of Italian exports of petroleum to the UK. But when it comes to textiles Italy sells four times what it buys from the UK. Even in iron and steel Italy sells more to Britain than it purchases.

In a recent study of British exports to Italy, Mr Burgess Watson, Consul-General in Milan, wrote that "the image of Italy in the UK has been of a country torn by strikes, high inflation and political disorders: not the sort of country where British exports are likely to do well."

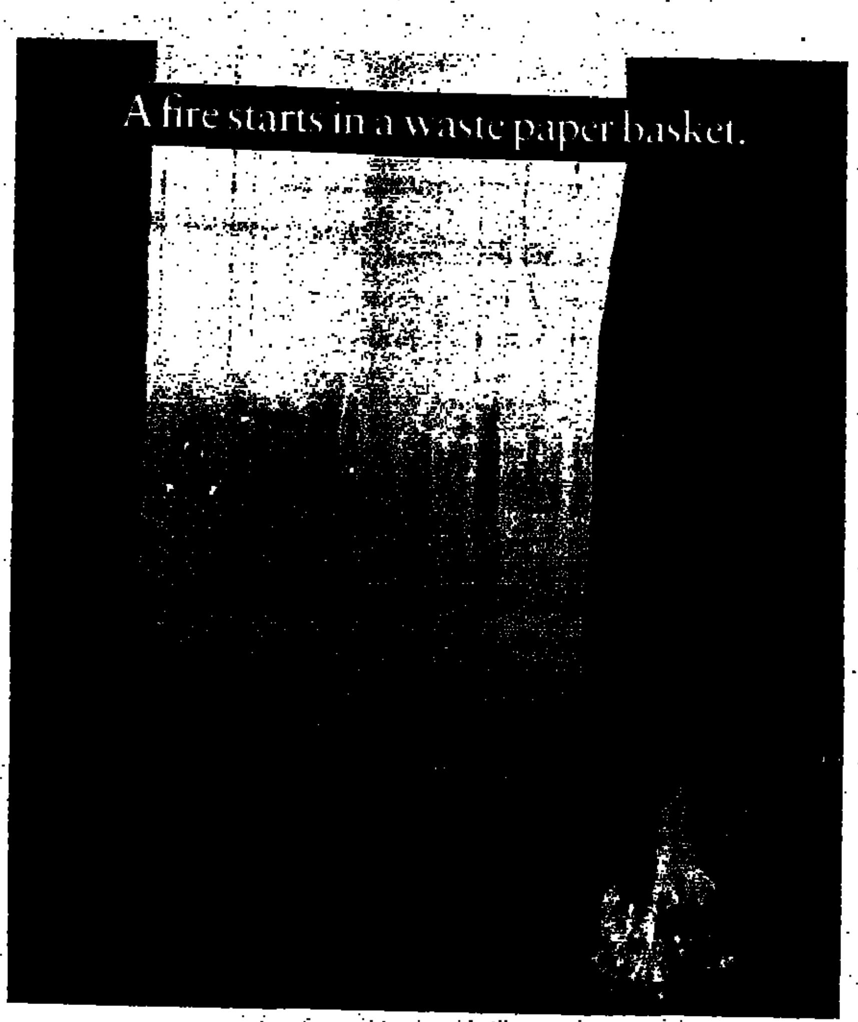
Among other problems are fears of non-payment or slow payment (which do not seem to worry the French or Germans as much), the lack of sufficient commitment in terms of British staff and Italian marketing and, according to one veteran Briton, the lack of a proper appreciation of Italian business methods.

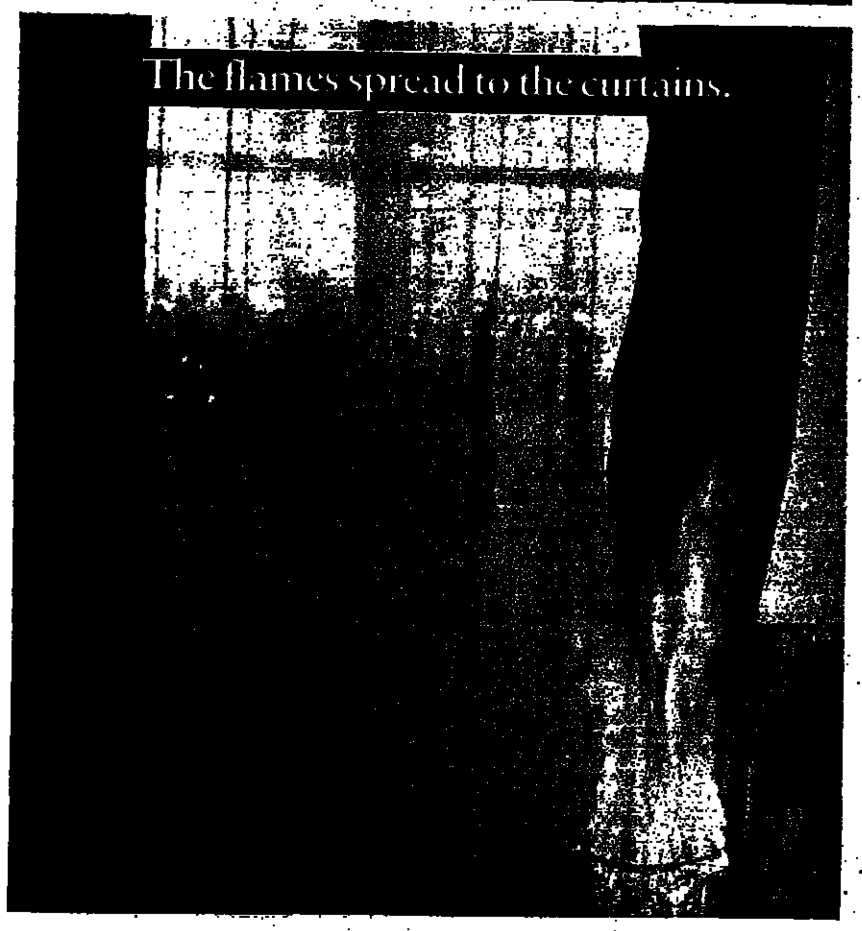
In Sardinia, for example, a large protein plant built by BP in the 1970s was never used because planning permission was later refused by the local authority. The 10-year union between Dunlop and Pirelli which ended in 1981 never progressed beyond joint shareholding and left both partners disappointed.

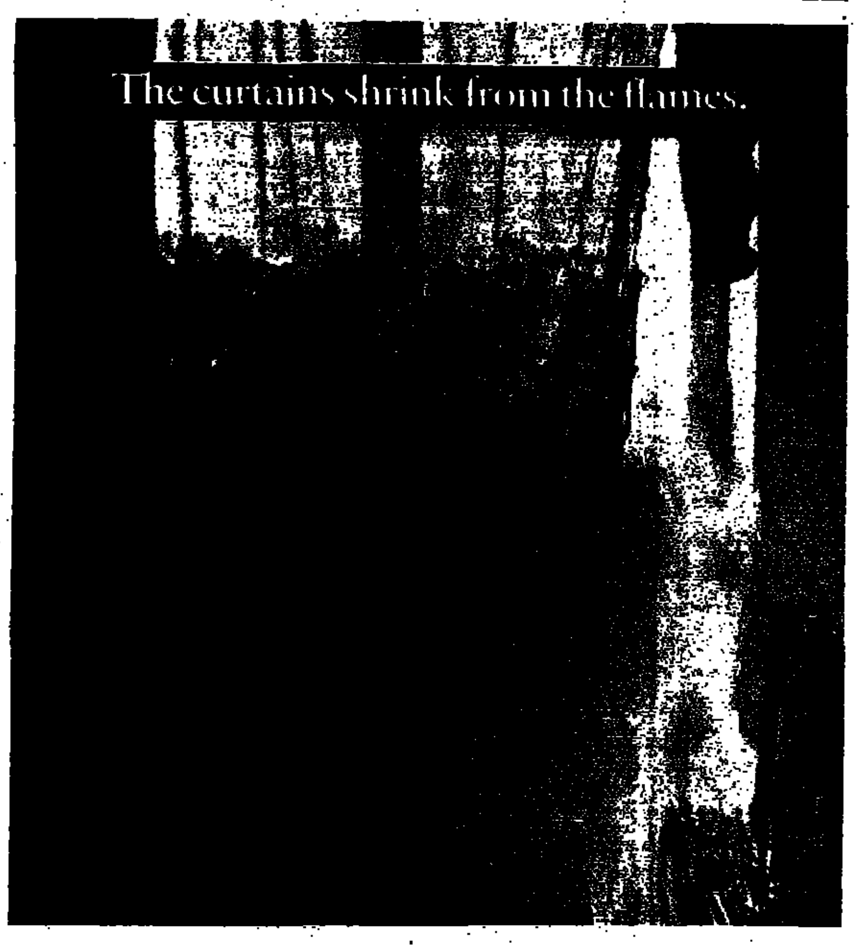
Nevertheless, there are UK success stories, such as the activities of ICI and Glaxo, and London merchant banks. Fully one-third of the Italian beverage imports are accounted for by the UK, largely because of Whisky sales.

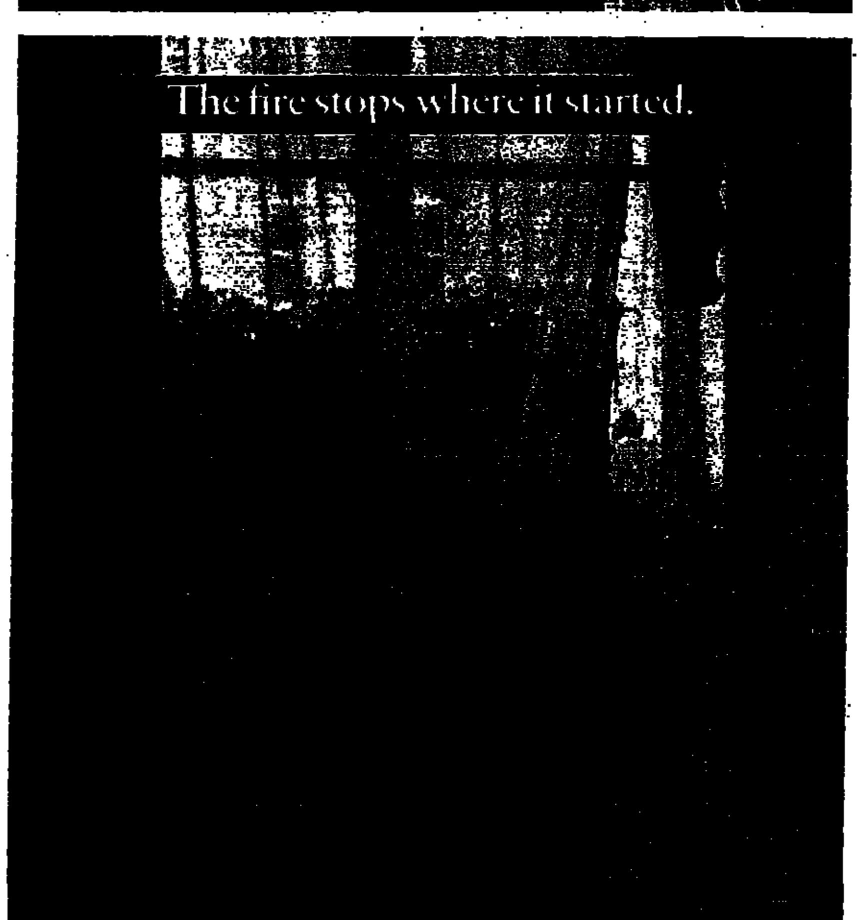
Critics of the less successful of the 300 British companies involved in selling to Italy say insufficient time is taken to learn the cultural and business habits, to distinguish among regions in the prosperous and more efficient Italian north and the less prosperous south.

The result, it appears, is a tendency to regard Italy as a backward and less developed country, in the league of Greece or Spain. It is, in fact, the world's sixth leading industrial power.









You'll be better off buying curtains that shrink.

Before you shrink from the idea, look at our demonstration on the left.

The curtains in question are made from Trevira® CS flame retardant, a new Hoechst fibre

(C for comfort and S for safety).

Put a flame to it and it merely shrinks away.

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Hopefully you'll never have to put it to the test.

But it could be some of the best fire insurance you'll ever buy.

<u>Making our principle stick.</u>

Our treatment is not just applied to the fabric but permanently engineered into the fibre.

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For schools, hospitals, hotels, old people's homes and wherever life is most at risk.

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For the complete picture, please send for a copy of "Finding New Ways" to Hoechst UK Ltd., Publicity Dept., Salisbury Road, Hounslow, Middlesex TW4 6JH.

Hoechst

APPOINTMENTS

Promotions at Samuel Montagu

SAMUEL MONTAGU INTERNATIONAL has appointed the following as directors: Mr Jonathan Cole, Miss Marion Price, Mr Michael Spence, Mr Peter Terry, Mr Brian Woolley. Mr Cole is managing director of Samuel Montagu Leasing Services. Miss Price, Mr Spence, Mr Terry and Mr Woolley are assistant directors in the banking and finance division of Samuel Montagu and Company.

★

Mr John D. Bence has been appointed managing director and chief executive officer of the newly-formed Watford-based joint venture company MacMillan Smurfit SCA, which will trade as UK CORRUGATED. Other appointments are: Mr R. I. Buck, director of finance and planning; Mr P. S. Butterick, company secretary; Mr J. Tretman, director of personnel and administration; Mr A. McIntosh, director of employee relations; Mr J. A. Breeden, national sales director; and Mr D. G. Johnson, director of marketing. The company has been formed by the merger of the UK corrugated case plants of MacMillan Bloedel of Canada, The Jefferson Smurfit Group of Ireland and Svenska Cellulosa Aktiebolaget SCA of Sweden.

★

Mr W. Pratt Thompson, a director of AIDCOM INTERNATIONAL, has been appointed chairman. A former chairman of BL International, he was previously chairman of Jaguar, Rover, Triumph. Aidcom founder-chairman Mr James Pilditch is stepping aside to become a non-executive director and will undertake special projects for the board.

★

Mr John Horam, former Government Minister and economic spokesman for the SDP, has rejoined the company he helped to found—COMMODITIES RESEARCH UNIT—as managing director. Mr Robert Perlman, the present managing director, becomes chairman, and Sir Sigmund Sternberg becomes chairman of CRU Holdings and continues as a director of CRU. Mr Horam was a non-executive director.

★

Mr Stephen Gibbs has been appointed deputy chairman of the CHARLES BARKER GROUP. He joined Charles Barker in 1962, became a group holding board director in the same year and was chief executive of Charles Barker City from 1968 to 1974. He is also chairman of Charles Barker Scotland.

★

Mr John Mayfield has been appointed finance director of the BRITISH RAIL PROPERTY BOARD. He succeeds Mr W. J. A. Harris, who has moved to British Railways Board headquarters as a member of a team advising on railway administration. Mr Mayfield was chief internal auditor at BRB headquarters.

★

Mr Joseph Larkin will take over the duties of managing director of BELL LINES from Mr George Hellwey, currently acting as both chairman and managing director. Mr Larkin joined Bell in 1966 as group engineer, becoming assistant operations manager in 1972 and operations manager in 1975.

★

Mr David Changer has been appointed managing director of HOLLAND AUTOMATION INTERNATIONAL (UK). He joins from Advanced Digital Office Systems, where he was a founding director in 1980, and subsequently its managing director.

★

Miss Clare Mulholland has been appointed deputy director of television at the INDEPENDENT BROADCASTING AUTHORITY. Mr David Glencross, her predecessor, became director of television last month. Since the autumn of last year, Miss Mulholland has been a chief assistant in the IBA's television division with particular responsibility for supervising Independent Television's output of drama and acquired fiction.

★

The STERLING ARMAMENT GROUP has been acquired by Anglo-Canadian family interests represented by Mr Giles Whittome who has become chairman and managing director. He is a well-known maker of luxury sporting guns. Mr C. R. Chandless has joined the board. He was a leading member of the British Sporting Rifle Club before moving to Canada. Mr Patrick Giles has also joined the board. He is chairman of Legney Industries. Mr J. S. M. Edmiston, Mr W. A. C. Edmiston, Mrs H. Edmiston, and Mr C. J. Calvert have resigned from the boards of Sterling and its subsidiaries.

★

Mr D. A. Richards has been appointed financial director of J. H. FENNER (HOLDINGS).

★

Mr Charles H. Dickinson has been appointed director of sales at McCORQUODALE MACHINE SYSTEMS.

★

Mr Ian Grant, formerly a director of Jardine Matheson, Hong Kong, and now a director of the Royal Bank of Scotland, Japan Asset Trust, First Charlotte Assets and managing director of Glenmoriston Estates, has been appointed to the board of LORNE EXPLORATION an oil and gas investment company, managed by Noble and Co. Edinburgh. At the same time Mr Iain Noble has resigned from the board to concentrate on the management of Lorne in his capacity as chairman of the managers.

★

Mr Tony Patterson has been appointed sales director of SOFTWARE SCIENCES' systems division, largest of four operating divisions. He joined two years ago as sales director with responsibility for defence systems. The company is part of Thorn EMI.

CONTRACTS

Wimpey wins £9m work

WIMPEY has won contracts totalling nearly £9m. The largest, worth £6.4m, is for a white cement plant at Ras Al Khaimah in the United Arab Emirates. Wimpey's associated company, Al Wimpey Civil Engineering Ras Al Khaimah, was awarded the contract by Hitachi Zosen Corporation. Work on the plant, which will be able to produce 300,000 tonnes of cement annually, is scheduled for completion in early 1985. The Manchester office of Wimpey Construction UK has been awarded a £904,000 contract by the North-West Regional Hospital Authority for extensions to Fairfield Hospital in Bury, Lancashire. A £1m contract has been placed by the Trent Regional Health Authority with the Nottingham office for erection of a three-storey block at Nottingham City Hospital Mortuary. Lastly, as part of the Govan rehabilitation scheme, the Glasgow office is to convert 42 flats into 31 in Shaw Street, Govan, under a £556,000 contract.

★

HARRIS CORP's government satellite communications division in Melbourne, Florida, has been awarded a \$5.7m (£3.8m) contract by the Naval Electronics Systems Command for production of 30 modems for the U.S. Navy's surveillance towed array sensor (Surtass). The Harris digital data modem, which will be used on ship and ashore, is the interface link in the ship-to-satellite-to-shore communications hook-up. The Surtass array will be towed behind a ship to record under-water acoustic data.

★

SIR ROBERT McALPINE AND SONS has started work on a £1.3m contract for British Aerospace to build a satellite assembly, integration and test facility at its space and communications division at Stevenage, Hertfordshire. The single-storey building, due for completion next May, is being constructed to the high specification demanded by the space programme. The contamination level of the air within the assembly area clean room will meet the federal standard 209B class 100,000. All entry to the clean room area for personnel and goods will be via specially designed airlocks. Construction is of structural steel with Alucobond aluminium cladding on the external walls.

★

EXCLUSIVE CLEANSING SERVICES, a subsidiary of Brengreen Holdings, has been awarded a contract for refuse collection services by Tamworth Borough Council. The contract, which commences in January, is worth £1.3m over its five-year term.

★

Landscaping contracts worth £1.2m in Hong Kong have been awarded to HENRY BOOT CLAPHAM. Work includes landscaping of 5.5 Ha of recreational land including grass seeded open spaces, sitting areas and pedestrian walkways for Ling-king Construction. Over 30,000 shrubs and ground cover and nearly 4,000 trees are to be planted in the scheme at Shek Wu Hui, being part of the Hong Kong Government's New Town Development Programme.

Extra work has been added to the current £660,000 landscaping contract at Castle Peak power station. This includes a further 30,000 trees and shrubs and a further 4.9 Ha of grassing (hydroseeding). Slopes above the Castle Peak Power Station are to be stabilised to ensure the safety of the power station and adjacent cement works.

★

Five contracts worth over £3m have had been won by the Leeds office of HADEN YOUNG. Work includes an order for a boiler house for the National Coal Board at Sharlston Colliery, near Wakefield, design and installation of air conditioning, mechanical and electrical services for the Harrogate International Hotel and an air conditioning system for Royal Exchange House, Leeds. Haden Young is mechanical services designer for the Kirkstall Road Sports Centre in Leeds, and will handle mechanical services work at British Telecom's training college in Harrogate.

★

METRO-FLEX (UK) has received an order worth NKr 1.8m (£163,000) for gas-tight isolation valves. These are for installation in the waste heat recovery system of the North Sea Gullfaks A platform being built for the Norwegian oil company Statoil. Delivery is to be completed by March 1984.

★

A £4.5m contract to build and equip a flour mill for Tempo Mills of Onitsha, Anambra State, Nigeria, has been won by HENRY SIMON of Stockport, a Simon Engineering company. The mill, to be situated on an undeveloped site at Umunya, near Onitsha, is designed to handle 400 tonnes of wheat each 24 hours. Henry Simon will construct the buildings and handle the design, supply, installation and commissioning of the milling equipment; provision of HV and MV electrical distribution systems, 2,000 kVA standby generators and all electrical plant control and services and an 8,000-tonnes grain storage facility.

BASE LENDING RATES

A.B.N. Bank	9 %	Heritable & Gen. Trust	9 %
Allied Irish Bank	9 %	■ Hill Samuel	§ 9 %
Amro Bank	9 %	C. Hoare & Co.	† 9 %
Henry Ansbacher	9 %	Hongkong & Shanghai	9 %
Arbuthnot Latham	9 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	9 %	Knowsley & Co. Ltd.	9½%
Associates Cap. Corp.	9½%	Lloyds Bank	9 %
Banco de Bilbao	9 %	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10 %
BCCI	9 %	Meghraj and Sons Ltd.	9 %
Bank of Ireland	9 %	Midland Bank	9 %
Bank Leumi (UK) plc	9 %	■ Morgan Grenfell	9 %
Bank of Cyprus	9 %	National Bk. of Kuwait	9 %
Bank of Scotland	Ω9 %	National Girobank	9 %
Banque Belge Ltd.	9 %	National Westminster	9 %
Banque du Rhone	10 %	Norwich Gen. Tst.	9 %
Barclays Bank	9 %	R. Raphael & Sons	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 %
Bremar Holdings Ltd.	9 %	Roxburghe Guarantee	9½%
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9½%	Standard Chartered	‖ 9 %
CL Bank Nederland	9 %	Trade Dev. Bank	9 %
Canada Perm't Trust	10 %	TCB	9 %
Castle Court Trust Ltd.	9½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9 %	United Bank of Kuwait	9 %
Cedar Holdings	9 %	United Mizrahi Bank	9 %
■ Charterhouse Japhet	9 %	Volkskas Intnl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9 %
Citibank Savings	¶10½%	Whiteaway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	9½%	Wintrust Secs. Ltd.	9 %
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9 %		
Co-operative Bank	* 9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank	‡ 9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%. 1-month 5.75%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.
Ω Money Market Cheque Account—8.80%. Effective annual rate—9.16%.

n work

IMPORTANT MESSAGE TO ALL

GULF OIL CORPORATION

SHAREHOLDERS!

Dear Fellow Gulf Shareholder:

It is now evident that T. Boone Pickens of Mesa Petroleum intends to engage in a proxy contest in an attempt to defeat the proposal strongly recommended by your Board of Directors to restructure Gulf Oil Corporation as a holding company. **We firmly believe that this move by the Mesa group is not in the best interests of Gulf shareholders and should be rejected.**

In fact:

- Pickens, in a television interview discussing the Mesa group's investment in your company, said: "I just work for one crowd; that's the Mesa stockholder."*
- The Mesa group, as recently as three months ago, did not own a single share of Gulf stock; more than half of the stock that they presently own is represented by borrowed funds.

The activities by the Mesa group against Gulf are disruptive and, if successful, will interfere with the important restructuring program now underway at your company.

We caution you not to sign any opposition proxy and urge your support **FOR** the reorganization proposal at the Special Meeting of Shareholders scheduled for Friday, December 2, 1983.

Important additional information is being prepared and will be sent to you at the earliest practicable time. Meanwhile, we remind you of the significance of our planned reorganization to the development of Gulf's opportunities and to the goal of maximizing value for our shareholders.

Please take the time to express your support of the proposal by signing, dating and mailing the WHITE management proxy.

Thank You.

On Behalf of the Board of Directors

Sincerely,

James Lee

Chairman of the Board and Chief Executive Officer

November 4, 1983

*Interview of October 19, 1983 on Cable News Network program "Money Line".

If you have any questions or need assistance in voting your shares you are encouraged to call D. F. King & Co., Inc. at (212) 269-5550 in New York, (312) 236-5881 in Chicago, or (415) 788-1119 in San Francisco or Georgeson & Co. at (212) 440-9800. Please call collect. Gulf has also established the following toll free numbers (800) 255-4853 and for Pennsylvania residents only (800) 222-2152.

TES

UK NEWS

Merchant bank to sell 20% Mercury stake

BY GUY DE JONQUIERES

BARCLAYS Merchant Bank is preparing to dispose of its 20 per cent shareholding in Mercury Communications, the privately financed consortium that intends to compete with British Telecom (BT) in business communications.

The bank is expected to withdraw from the project next year. It is not yet clear whether its stake will be taken up by the two other Mercury partners, Cable and Wireless and British Petroleum, each of which has a 40 per cent interest, or will be offered to outside investors.

The consortium and its owners emphasised yesterday that Barclays had never intended to remain a partner indefinitely. It has set a £35m, ceiling on its investment in Mercury, which has so far received total financial commitments from its owners of just over £100m.

The confirmation that Barclays Merchant Bank plans to withdraw comes as Mercury awaits the outcome of its appeal against the High Court's refusal to order the Post Office Engineering Union (POEU) to end its industrial action against the consortium. The union has taken its action as part of its campaign against the Government's proposed privatisation of BT.

Whichever way the court ruling goes, the consortium and its backers are expected to increase pressure on the Government to take further steps to improve Mercury's chances of competing successfully against British Telecom.

They are expected to argue that, in addition to the impact of the POEU's industrial action, the commercial prospects for Mercury are clouded by uncertainties about how BT will be regulated after it is privatised next year.

Indeed, there have been signs recently that BP, is growing nervous about making any substantial further investments in Mercury until it receives fresh assurances from the Government about the future development of its telecommunications policy.

The consortium's immediate hopes are pinned to a statement clarifying the Government's policy on competition in telecommunications, which is due to be published later this month.

The statement is expected to give Mercury some further rights to interconnect with BT's network and to resell capacity on transmission services that rely on access to BT's circuits. It will also give assurances that no other carrier will be licensed to compete with BT and Mercury for a specified number of years.

The Government is, however expected to link those concessions explicity to Mercury's progress in expanding its network in the next few years and to make clear that other carriers may be licensed if the consortium slows down its rate of investment.

Last night, Mr John Butcher, Industry Minister, told the House of Commons that the Government would impose no restrictions on Mercury's revenue. He said the licence granted to Mercury in February 1982 had imposed a temporary ceiling on revenues.

"It has long been recognised that Mercury would need a new licence as soon as the Telecommunications Bill becomes law," he said. "The new licence, which will be similar to the licence to be granted to British Telecom, will impose no restrictions on Mercury's revenues and Mercury will be free to compete to obtain the largest possible share of the market."

● Sir George Jefferson, chairman of British Telecom, yesterday strongly supported the Government's plan to privatise the public telecommunications network. He called on his workforce to "go forward in confidence."

Speaking at the Confederation of British Industry conference in Glasgow, Sir George said that BT saw privatisation as the best opportunity for success in the coming years. "Too often in the past as a nationalised industry, 'public service' has meant rationing our long-suffering customers to what we have been able or willing to provide out of a limited public purse."

He said: "Regrettably, our unions, instead of recognising the opportunities presented to us, are concerned to defend the status quo. Preserving the past would result in BT being left with an ever-shrinking boundary of opportunity – the dregs of our business that our competitors do not want."

P & O and Schroder Wagg part company

By Ray Maughan

MR JEFFREY STERLING, chairman of Peninsular & Oriental Steam Navigation (P&O), has changed the shipping group's merchant banking advisers as it prepares to face the threat of a new takeover bid from Trafalgar House.

J. Henry Schroder Wagg was told at a meeting with Mr Sterling early yesterday morning that Morgan Grenfell would be acting for P&O. From mid-morning onwards, a team of Morgan Grenfell directors and supporting staff were ensconced in P&O's City of London headquarters.

Mr Blaise Hardman, a director of Morgan Grenfell, already sits on the P&O board in a non-executive capacity, but the bank's advice will be given by Mr Christopher Reeve, chief executive of corporate finance, and Mr George Magan.

Mr Magan handled the bank's supervision of the £660m bid by BTR for Thomas Tilling early this summer and now acts for Allianz, the West German insurance group, which is considering a counter-bid for Eagle Star in the face of the £800m offer from BAT Industries, the tobacco group.

At the time, the BTR offer for Tilling was the largest bid – in money terms – ever mounted on the London Stock Exchange. Tilling's first action on hearing of BTR's proposals was to replace its long-standing adviser, Schroder, with S.G. Warburg.

Schroder also lost the British Sugar Corporation account to N. M. Rothschild during its unsuccessful defence against S. & W. Berisford, the commodity trader. Schroder, as it explained at the time, had become a large equity holder in British Sugar and resigned the account to resolve any conflict of interests.

The bank took a stake of 1m P&O shares as Trafalgar House mounted its original £290m bid for the shipping group last May. The holding was eventually sold on to Mr Sterling's property and industrial holding company, Sterling Guarantee last month.

Sterling Guarantee has used a variety of merchant banks in the past, but has never called upon Morgan Grenfell for any specific purpose.

CBI delegates concerned at government strategy

Employers urge 'flexible policies' to win growth

BY OUR LABOUR STAFF

CONCERN that the recovery in the UK economy might falter dominated the first day yesterday of the annual conference of the employers' organisation, the Confederation of British Industry (CBI).

Delegates clearly felt that the Conservative Government's monetary policies were restricting growth and they gave broad support to Sir Terence Beckett, the CBI director general, when he argued that the CBI should "establish sustained growth as well as low inflation as joint objectives." Growth and inflation, he added, "don't have to go hand in hand."


Beckett: "Economy might run out of steam"

The CBI will urge the Government to give the strategy of steady growth parity with its anti-inflationary policy. Sir Terence and his colleagues have already prepared the ground for this in talks with ministers, but the overwhelming vote of the conference for "flexible policies" to ensure sustained growth will now dictate a rather harder line.

Sir Terence told the conference, in Glasgow, Scotland, that things were getting better slowly, but the recovery was patchy. "There is a possibility that the economy might run out of steam in the second half of next year. We and the Government must do everything we can to avoid that."

The Government, he said, could not sit back and wait for recovery to come about. The Government must distinguish between current spending and capital spending and pump more money into stimulating the economy. He suggested more public expenditure on the infrastructure which, he said, "is increasingly shabby and expensive to operate in." More money should be spent on roads, railways and sewerage systems.

Sir Terence continued: "We need to examine the obstacles to more business and prosperity. Very high on my list would be the excessive share of our national resources that go to the state, into spending not creating wealth. If we are to make progress in pushing back the frontiers of the state, it will have to be done early in this Parliament. It will be too difficult later on. The Government needs our support on this to cope with some of the necessarily unpopular consequences."

Lower taxes and lower costs were needed, he said. If the Chancellor of the Exchequer were able to reduce interest rates, this would do more than anything else to improve business confidence and increase the momentum of investment.

Although the public sector borrowing requirement was now at a lower percentage than in any other major industrial country, he said, interest rates paid by business in the UK were nearly 40 per cent higher than in West Germany and more than 80 per cent higher than in Japan.

EEC strategy causes division

DELEGATES at the Confederation of British Industry (CBI) conference were divided over a resolution which deplored the European Economic Community's lack of economic direction and urged the British Government to take the lead in developing a "coherent community strategy for industry."

The resolution was passed by 161 votes to 159, with the substantial minority concerned by the phrase "strategy for industry." Dissenting delegates agreed with Mr Ronald Howard, chairman of Phicom, who said: "We don't want a framework of planning, we want the establishment of a better climate for business."

The majority of delegates considered that the EEC had concentrated too much on welfare and social policies and had neglected industrial priorities with a loss of market share within world trade.

A number of speakers called for action on non-tariff barriers, less state aid and the opening-up of contracts at the European level to create a genuinely free trade area.

Dr James McFarlane, director general of the Engineering Employers' Federation, said: "We believe the European Commission is misdirecting its resources. We believe that it should curb its zeal to reform company structures and employment conditions. Instead, it should concentrate much more on making the Community economically successful."

The conference endorsed the CBI council's decision last month not to support any move towards Britain joining the European Monetary System (EMS).

Mr Kenneth Durham, chairman of Unilever, said there was no evidence that the EMS had brought about any longer-term financial stability. "Going in at the moment could have a very great cost to us," he said.

Mr Durham, chairman of the CBI's economic and financial policy committee, said that for 10 years or so trading and business decisions had been made more difficult by the volatility of exchange rates.

In many European countries, he said, domestic policies with commitments to full employment, welfare and costly defence expenditure had led either to high inflation or to high interest rates. Governments must be persuaded to adopt policies which did not harm their trading partners.

The conference unanimously condemned the system of unitary taxation, increasingly common at state level in the U.S., by which multinational companies are taxed on their worldwide profits.

Inflation pressures ease as producer price rises stabilise

BY ROBIN PAULEY

PRICES CHARGED by manufacturers of British goods increased by 0.5 per cent in October, indicating that there is no strong inflationary pressure on output prices waiting to feed through into retail price inflation.

A large upward revision of the retail sales figures for September indicates that the consumer spending recovery is still full of steam after more than a year, with the retail sales index now standing at a record level.

Official figures published yesterday show that the index for the home sales of manufactured products rose 0.5 per cent to 128.3 (1980=100) in October after a 0.8 per cent rise in September.

The index increased by 5.5 per cent in the year to October, compared with 5.4 per cent in the 12 months to September. The 12-monthly rises have been between 5.1 per cent and 6 per cent in each month since January.

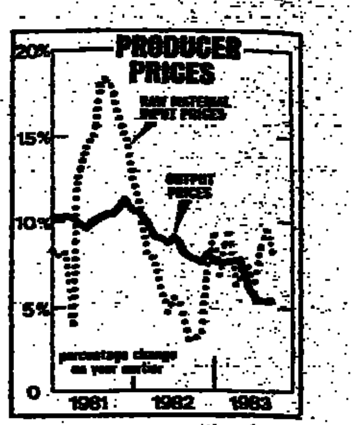
Producer output prices tend to be a reliable early guide to future retail price movements and the relative stability throughout this year has contributed to the reduction of the annual rate of increase of retail price inflation.

The fact that the stability appears to be continuing reinforces the claim by Mr Nigel Lawson, Chancellor of the Exchequer last month that the rate of inflation was likely to fall further rather than rise, as predicted by many forecasters.

The figures also confirm the picture from recent Confederation of British Industry surveys of industrial opinion, in which the balance of companies expecting to increase their domestic selling prices has been at historically low levels.

A much less satisfactory guide to price pressures within British industry is the index for producer input prices which measures changes in the costs of fuel and raw materials. It is exceptionally sensitive to petroleum price changes and has moved erratically on a monthly basis all year, according to the strength or weakness of sterling against the dollar, in which oil prices are set.

In October, the index fell by 0.4 per cent to 126.9 (1980=100) after a 1.4 per cent rise in September. The change in the index was 8.1 per cent in the 12 months to October, compared with 9.5 per cent in the year to September.



The greater part of the September increase was caused by higher prices for food materials. Nearly a third of the increase in the output prices was similarly caused by higher prices for food products as was the case in September when meat prices, in particular, rose sharply.

The large revision in the September retail sales index, changed from a provisional 116 to a final 117.3 (1978=100) was put down by the Trade and Industry Department to late returns of information from retailers.

September's figure was a 4 per cent rise over August's very depressed levels when holidays and warm weather kept people out of the shops.

This index is very erratic on a monthly basis. On a three-monthly basis trade was 1 per cent higher in the third quarter of 1983 than in the second quarter, and 5½ per cent higher than in the third quarter of 1982.

In the first nine months of this year, trade was about 4½ per cent higher than the average for all of 1982.

● New credit totalling £889m was advanced for retail purchases in September. In the first nine months of 1983 the average amount advanced in credit each month was 3 per cent higher than in the last five months of 1982. Hire purchase controls were abolished in July 1982.

Cautious Ulster line at London summit

By Brendan Keenan

A CAUTIOUS meeting between the British and Irish Prime Ministers in London yesterday is believed to have gone a long way towards restoring close relations after the disagreements of the past two years.

Dr Garret FitzGerald, the Irish Prime Minister, in particular was careful during the five hours of talks not to put forward specific proposals which might cause the Government difficulty or upset Ulster Unionists.

He said afterwards that he believed Anglo-Irish relations were now as good, or better than they were two years ago, and in a reference to disagreements over the 1981 hunger strikes and the Falkland crisis he said "What is past is past."

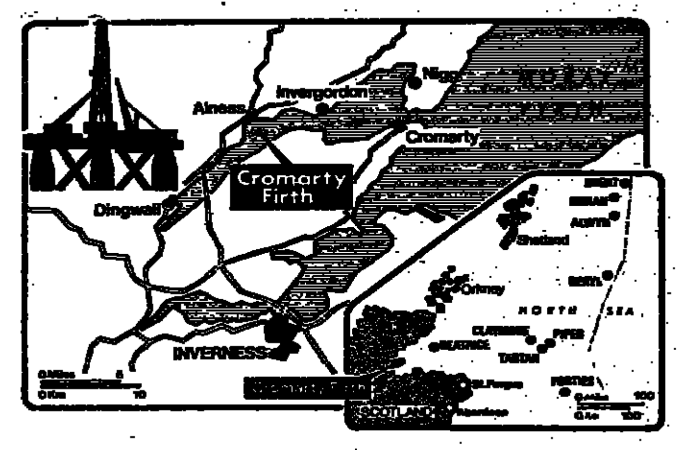
Dr FitzGerald briefed Mrs Margaret Thatcher on the work of the New Ireland Forum in which the main nationalist parties in Ireland are trying to devise new political structures for the island. But he was careful to stress that the forum had not yet discussed specific political options such as the idea of joint sovereignty over Northern Ireland by Britain and the Republic.

The most concrete decision at the talks would appear to be a resumption of regular meeting at prime ministerial level, perhaps every six months. There have been 20 ministerial meetings in the past two years, including five between the Northern Ireland Secretary, Mr James Prior, and the Irish Foreign Minister Mr Peter Barry.

Mr Prior and Mr Barry are understood to have had specific discussions about the electoral success in Ulster of Sinn Fein, the political wing of the Provisional IRA. The Irish hope the British Government will accept their view that this is a dangerous development, and Dr FitzGerald said he hoped both governments would be in a position in the next year to give Northern Ireland a high priority.

The general impression is that yesterday's meeting was to build up confidence with a view to possible political action when the forum has completed its work. One possible irritant to good relations was removed when Mr Barry made it clear that the Republic will abstain in the forthcoming United Nations vote on the Falklands.

Mrs Thatcher will make a statement in the House of Commons today on the talks, while Dr FitzGerald will have a morning meeting with the Labour leader, Mr Neil Kinnock.



New base proposed for North Sea rig repair

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

A BASE for repairing offshore rigs in the Cromarty Firth, north of Inverness in Scotland, could compete with Norway and the Netherlands for a market worth £14m a year, according to a report issued yesterday.

The consultants' report was commissioned by the Scottish Development Agency and the Highlands and Islands Development Board. It urges the development of deep-water facilities on the Firth to improve on the UK's 12 per cent market share of inspection repair and maintenance work on North Sea semi-submersible platforms and drillships.

Norway dominates this market with a half or more of the servicing and mandatory inspection work on rigs at four yards. Three yards in the Netherlands and one in West Germany also carry out this type of work.

Rig operators have said that the lack of facilities was one reason for the small share of British activity.

The report, by the Edingburgh based consultants Pieda, said that a base on the east coast of Scotland would have advantages in terms of labour costs and transit to the North Sea oil and gas fields.

A number of rigs already use the Firth and recently the John Wood group of Aberdeen, one of the North Sea servicing companies, announced plans to set up a base on the Firth. But the lack of a deep water jetty, so that rigs have to anchor and be serviced by barges, is a drawback. The report recommended the construction of berths.

The base would be unable to survive on rig maintenance alone. A 20 per cent market share would mean about 93 days's work a year, or six visits by rigs and similar vessels. The consultants recommended a study into related work to support local engineering and supply companies.

Six rig visits a year to the Cromarty Firth would mean employment for about 150 workers.

BP in Forties sale

BY RICHARD JOHNS

TRAFALGAR House has paid £22.9m for a 1 per cent share of British Petroleum's Forties field. The stake is in addition to the sale by tender of 10 per cent of the biggest oil producing field in the North Sea.

Such a price would amount to about £5.7m for each 0.25 per cent unit compared with a sum of over £7m which BP expects to obtain from the tender bids. It will entitle the oil and gas exploration and production division of the Trafalgar House group to 4,000 barrels a day of output retroactive to the beginning of July. Acreage purchased through the tender sale will only give successful bidders their share of Forties oil from the start of next year.

OK Exploration UK, the other company to have concluded a direct deal with BP for another 1 per cent of the field, is believed to have done so on similar terms. It is a subsidiary of the Swedish concern Oljekonsumentarnas of Sweden.

Mr John Williamson, the manager of Trafalgar House's oil and gas division, said yesterday that talks with BP on a possible acquisition had begun more than a year ago.

Trafalgar House wanted 1 per cent of Forties not only to offset exploration and development costs elsewhere in the North Sea but also to finance a future expansion programme, Mr Williamson adds.

At present, the company's only production of about 1,000 b/d is in the U.S.

Plessey seeks go-ahead in Grenada

PLESSEY AIRPORTS wants to be given responsibility by a new Grenadian administration to complete the international airport on the island now that the Cubans have left.

The company, part of Plessey Electronic Systems within the Plessey group, is anxious to finish its £6.6m contract and have responsibility for completing the entire project. Plessey Airports would, if given the go-ahead, invite applications from within the Caribbean to complete the civil engineering work.

Mr Derrick Collier, managing director of Plessey Airports, said yesterday the plan had been put forward as a "concept in principle" to Sir Paul Scoon, governor general of Grenada, the U.S. ambassador on the island and the British Foreign and Commonwealth office.

"All three parties have acknowledged the logic of what we have said. In our judgement it is the most practical way forward," he said. Plessey Airports said it had completed 60 per cent of its work when the U.S. invasion began. The Cubans had completed about 85 per cent of their part of the contract.

● CUNARD has signed a £5m charter deal with British Airways for the use of Concorde supersonic aircraft next year. It will use Concorde in a link-up with the QE2 passenger liner for transatlantic trips.

● NORTH SEA oil production will be free of restrictions at least until the end of 1984, Mr Alick Buchanan-Smith, Minister of State for Energy, told the House of Commons yesterday. He said the Government had given no undertakings to Opec about restricting output.

● PAINT prices are to rise by between 6 to 11 per cent within the next few months as a result of sharply increased costs of raw materials.

● SCOTCROS, the Glasgow-based wines, packaging and animal feedstuffs group, has gone into receivership after the discovery of "excessive and unforeseen losses" in its packaging division. The group employs 560 people in the UK. Earlier this year Scotcros closed its French wine bottle factory after a series of strikes.

● BRITAIN'S trade deficit in engineering products could reach £9.8bn by 1988, more than offsetting any likely surplus on oil account, Quilter Goodison, the London stockbrokers say in their latest Engineering Review.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Commons debate: a test of the political and economic climate

BY TIM DICKSON

MEMBERS of Parliament tend not to be amused if anyone draws attention to low attendances at the House. But given the political tub-thumping now associated with the cause of small firms, debate on the subject might be expected to attract large and enthusiastic crowds. It may thus come as a surprise to some that last Friday the first session of Parliamentary time for 12 months specifically set aside for discussion of the Government's Small Business Policy attracted barely 20 Conservatives and an even smaller contingent on the Opposition benches.

The rest no doubt had rushed home early to their constituencies to deal with a host of small business problems in their weekend surgeries.

Before reviewing the achievements over the last year David Trippier, the small firms minister paid tribute to his predecessor John MacGregor—who has gone to Agriculture — and assured members that Norman Tebbitt would be a worthy champion of small firms as Industry Secretary in succession to Cecil Parkinson.

Sensitive perhaps to criticism that the Government has made excessive political capital out of the famous 108 or so measures introduced since 1979, Trippier boldly declared that he preferred to talk generally about "working to improve the climate for small businesses." He told the House that almost 13,000 people were now taking advantage of the Enterprise Allowance Scheme (which provides £40 a week to unemployed people starting a business). These range from a small business set up to embroider church vestments to an anti-corrosion engineer.

He also confirmed that the Government is undertaking a review of the Loan Guarantee Scheme—£400m of the £600m available for guarantees has now been taken up and applications continue to come in at the rate of 500 to 600 a month—and in response to a question from the backbenches he assured listeners that the cost of the premium payable by the borrower (currently 3 per cent) would form part of the review.

Still on special measures he revealed that there had been a last-minute rush of applications—about 2,000—for the second Small Engineering Firms Investment Scheme in the last week of September. This takes the total of firms which applied for SEFIS 2 to 6,000 and the value of projects seeking aid to around £300m. (Since SEFIS provides a one-third grant to those installing advanced machine tools the £100m made available in the Budget should be more or less taken up.)

Trippier also spoke lyrically about the value of enterprise agencies—he played a major part in setting up one in his constituency, Rossendale and Darwen—and appealed to these private sector-backed small business support organisations to take more of the initiative in providing workshop space, matching private investors with businesses seeking cash and promoting links with business clubs and colleges.

David Trippier (left) and Ian Mikardo: both working to improve the outlook for small firms.

So far, he added, 114 of the estimated 160 enterprise agencies in the UK have been approved for tax relief (ie contributions from big companies are tax deductible.)

On priorities for the future, Trippier stressed the need for a period of consolidation but gave little indication of areas where the Government plans new initiatives. He was keen, he said, to improve awareness, to encourage management training and education, and realised that "many small firms feel they face too much red tape."

The Liberal representative to speak in the debate was the MP for Yeovil, Paddy Ashdown, who lists among his credentials that of a qualified Chinese interpreter. To the amusement of Tories across the Chamber Ashdown preferred, however, to interpret the Government's small firms policy largely as the implementation of a good many Liberal ideas. In calling for a full Cabinet Minister to look after small businesses he suggested that too much of what the Government has done is "piecemeal and unco-ordinated."

Armed with ammunition provided by the National Federation of the Self-Employed and Small Businesses (NFSESB) and the Association of Independent Businesses (AIB) he highlighted the number of companies going bankrupt. "Each one of these does not incur loss of shares on the Stock Exchange but is a personal tragedy for the small businessman."

Geoffrey Robinson, the Labour member for Coventry North-West who was formerly chief executive of Jaguar Cars, said that the economic climate for small businesses had not been changed by the Government's many measures and he stressed the importance of traditional manufacturing.

"Investing in seed corn companies is fine but it is no good unless there is a market for a man's inventions . . . unless there are applications for them. There is only one thing that will make companies invest and that is demand and the prospect of being able to sell what you make."

Ian Mikardo, the veteran campaigner who is also chairman of the Tower Hamlets Centre for Small Businesses, complimented Trippier on his "dedication." But he was mainly concerned to debunk some of the mythology surrounding small businesses—most of it put around, he claimed, by big businesses, politicians and journalists. In particular, he rejected the argument that local authority rates are the small business's biggest burden. On average, he argued, rates represent 3 per cent of total wages and 1½ per cent of gross added value—a significantly smaller percentage of overheads than those items such as taxation and nationalised industry costs over which central government has control.

Small firms, said Mikardo, are being used as a "stalking horse" by bigger firms through the Confederation of British Industry and the Chambers of Commerce. In a backhanded compliment to the tax avoidance industry he commented: "The trouble with rates is that they are the only tax which is unavoidable."

In brief . . .

INCREASING optimism among small exporters is evident from the latest survey carried out by Market Research Enterprises for British Telecom, Europages. Of the 1,400 companies interviewed 37 per cent expected to take on more people over the next four months, 70 per cent expected turnover to be "much greater" and just over half anticipated a rise in profits over the period. The mood in the September survey is generally brighter than that for May, which showed confidence at a lower ebb than at the beginning of the year.

●

SIGMA of Letchworth, Hertfordshire (part of Melville Technologies) — a 1980 management buy-out which was featured on this page on November 2 last year—has recently secured its biggest export order so far for 18 special purpose production line measuring machines and associated equipment valued at £/m. These machines are microprocessor controlled, fully automatic, and capable of measuring a range of complex components. They will form part of the quality control system in a new highly automated factory.

●

THE Polytechnic of Central London in conjunction with the London Regional Management Centre is about to start a series of one day and weekend courses aimed at introducing small businesses to microcomputers. These will include basic information on the hardware and software, advice on choosing a micro and discussion of applications such as budgeting and forecasting. Details on enrolment from: Annie Signac, Short Course Unit, Polytechnic of Central London, 309 Regent Street, London W1R 8AL.

●

POINTON YORK, the London and Leicester-based financial services group, has set up a Register for investors wishing to take advantage of the Business Expansion Scheme. Individuals who join the "Business Expansion Scheme: the Syndicates for Industry" (BESSI)—there is no charge —will be asked to indicate the type and location of companies they wish to back. They will subsequently receive details of businesses investigated by PY, which says it will act as nominee for shareholders and provide them with regular progress reports.

The concept is identical to that of the recently launched Electra Risk Capital (ERIC) Business Expansion Scheme Register. This now lists about 4,500 names of people who claim to be able to call on £15m for investments under the BES this financial year and £25m in 1984-85. The big question both for Electra and PY is whether they can find suitable companies to satisfy investor demand. Gordon Dean, managing director of ERIC, expects to send out the first prospectus early next year.

●

LESSONS gleaned from job creation experiments in the United States* are contained in a new booklet published by Project North East—a non-profit-making job creation organisation set up by former multinational executives David Grayson and David Irwin three years ago. The booklet is based on a study visit made to four American cities in 1982. Among other observations the pair comment favourably on the role big U.S. firms are playing in assisting local economic developments.

* *American Experience of Job and Business Generation —Project North East. Available from 5 Saville Place, Newcastle upon Tyne NE1 8DQ. 50pp. Price £2.95.*

●

IF YOU are looking for money to support a business, don't forget the local building society. This is the thrust of a new paper published by the Association of Independent Businesses (AIB) which claims that millions of pounds of cheap, long-term investment finance is going untapped.

The AIB advises that businessmen can take advantage of this source by way of an additional mortgage advance secured against their homes. Funds can also be raised in this way by outside investors, such as relatives and friends.

The AIB says it has been assured there is no legal obstacle—tax relief on the interest payments would obviously not be available—and that some societies are already making a few advances of this kind. "What is needed is a clear commitment by the movement as a whole to this type of lending and for the Government clearly to state its endorsement of the principle involved."

T.D.

'The job itself is the best of all teachers'

AS EVERY small and medium sized company director knows the absence of key employees for even a relatively short period—particularly during a recession—can adversely affect profits and distort costs. So if they cannot be spared to attend lengthy external training courses, how can their skills be developed?

Fortunately, the job itself is, and always will be, the best of all teachers. Here are five proven techniques which can help the directors and chief executives of smaller organisations to develop their employees to their maximum potential.

Managing by objectives. This simply means spelling out the subordinate's objectives in clear, specific language and expressing the required results in precise, measurable terms—for example, x increase in sales, y decrease in costs, z improvement in delivery times. It means setting realistic deadlines for the completion of each main task. Not least, it involves *motivating* the employee to achieve the objectives—those who are imbued with a sense of purpose are far more likely to perform enthusiastically than if they are treated as mere order-takers.

Planned delegation of responsibility. There are two main steps: First, assess the strengths and weaknesses of each subordinate. Next, examine your own reponsibilities and ask yourself the following questions: Why do I do this? Who among my subordinates could do this for me now? Who could do it after suitable coaching and training? The final step is to decide upon the specific tasks which you intend to delegate and to communicate your decisions to each subordinate—stressing the benefits of broadening his or her experience.

Special projects. Most chief executives and directors have one or two "skeletons in the cupboard"—the kind of recurring, nagging problems which they themselves have not had time to investigate personally. Such problems can provide first-class opportunities for developing ambitious, high-potential employees who need to broaden their experience.

The assignment should be important enough for success to make a real contribution to the efficiency of the department or even of the whole company. Ideally, it should involve the subordinate in obtaining and analysing a variety of information (preferably from outside as well as from within his own department). Wherever possible, it should be carried out in addition to the employee's normal duties and, needless to say, a realistic target date should be agreed.

Coaching. The more experienced the coach, the greater the potential pay-off. To be effective, however, coaching requires considerable sensitivity in handling people.

The key lies not only in setting the subordinate the right personal example of good management; the director must also be prepared to share with him the reasons for boardroom decisions and actions.

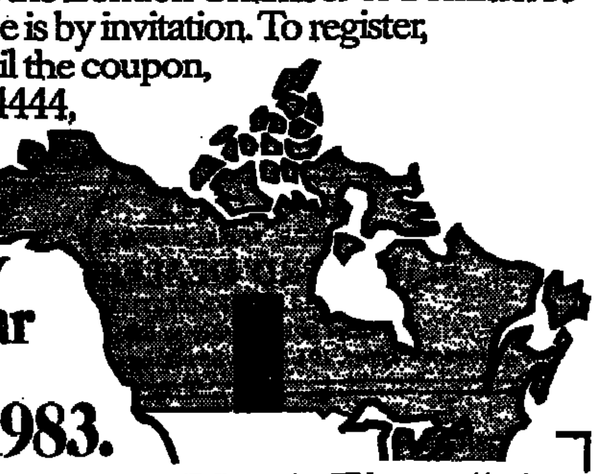
A particularly effective technique is gently to question the individual regarding what he or she would do to resolve a particular problem and to point out—tactfully—any shortfalls or omissions in his or her thinking. The objective, of course, is not for the "coach" to demonstrate his own cleverness but for him to lead the subordinate towards formulating a workeable solution.

Meetings. Not only do promising employees begin to appreciate more clearly their colleagues' problems at meetings; meetings also deepen their understanding of the needs of the business as a whole. Moreover, the fledgling executive can sometimes be allocated a specific role at such meetings—for example, by requiring him or her to give a progress report on a project on which he or she has been working or even to present his or her final recommendations.

Valuable though they often are, formal courses are only occasional pebbles on the beach of an employee's experience.

Terry Farnsworth

The author is education and training manager of 3M (UK).



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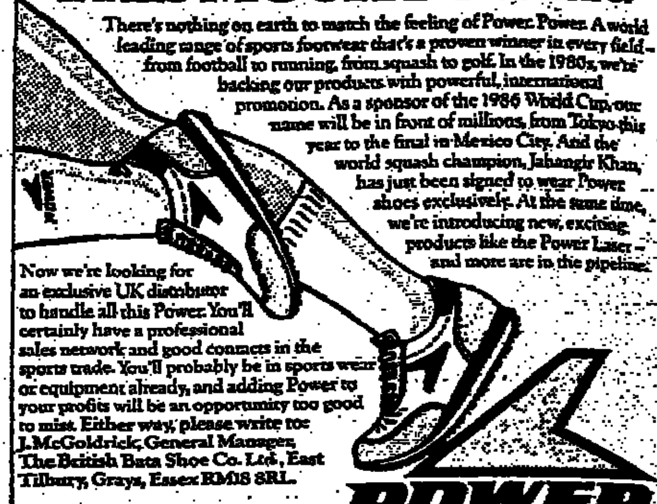

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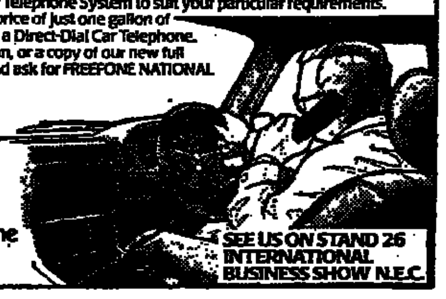

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BRITAIN'S SHIPPING INDUSTRY

Why the pilots are in stormy waters

By Brian Groom

A GROUP of Britain's proudest co-operatives is causing a fair bit of anguish and controversy. They are not one of Tony Benn's creations; in fact, Henry VIII played a more prominent role in their distinguished history.

The country's 1,457 ships' pilots are now too many, because of declining trade, higher productivity, and rules allowing masters from EEC nations to obtain certificates to pilot their own ships in UK waters. As many as 600 of them may have to go.

Attempts to get agreement on a compensation scheme for early retirement are the latest stage in a long-running wrangle over the shipping industry's annual £43.5m pilotage bill. Success will be achieved only if it balances the pilots' interests with the recession-hit shipowners' pleas for relief from high costs.

Pilots are self-employed, and their tradition of sturdy independence makes them reluctant to accept the "co-operative" tag. But they pool earnings in a common purse within each of the 88 pilot stations.

It is ironic that their future will reach a critical stage in 1984, the centenary year of the main body representing pilots, the UK Pilots' Association. Their lineage is longer — pilots go back at least to the 12th century. Henry VIII became involved in their affairs in 1514 when he granted a Royal Charter to Trinity House, the leading pilotage authority.

Capt Dan McMillan, the association's chairman, says: "Pilots and shipowners have agreed to differ on many issues." But there is little love lost. Shipowners suspect pilots of using their influence on pilotage authorities to rig the system to their benefit; pilots accuse shipowners of parsimony, and ignoring safety to cut costs.

Capt. Daniel McMillan, chairman of the UK Pilots' Association, on the Thames at Gravesend

Pilots are prepared to see their numbers cut by early retirement. The latest offer of payments averaging £57,600 (in 1983 money) over seven years proposed in a Government-sponsored draft report by Samuel Montagu is the best so far.

But the association is raising practical objections in its consultations with the Pilotage Commission, the advisory body charged with sorting it all out. It argues that a plan to fund the scheme by adding a blanket seven-year, 21 per cent levy to pilotage charges paid by shipowners is unfair on those districts which don't currently need to get rid of any pilots but may be made less competitive by the higher charges. It also describes Samuel Montagu's estimate of a 600-750 pilot surplus as "unrealistic."

The scheme, when implemented, would give remaining pilots an 18 per cent rise in recommended earnings—half the increase contained in a 1980 national agreement which has never been implemented. Actual earnings vary according to pilot numbers in each port and differing calculations of charges: those in King's Lynn received £12,927 gross last year, while London sea pilots got £27,110.

Capt McMillan, 28 years a London river pilot based at his home town of Gravesend, is the sort of man who will not be taking early retirement. "I just love ships and I've been going on them all my working life," he says.

Shipowners also have reservations about the Samuel Montagu report. The General Council of British Shipping wonders how a national scheme will operate at local level: it is also nervous about whether the net savings forecast in the report—£3.2m in the first year, rising to £12.2m when the seven-year levy ends—would be made in practice.

The scheme would cost shipowners an estimated £41.2m in 1983 money, but in theory this would be more than offset by lower pilotage rates. This is because the setting of pilotage charges in each port aims to achieve a certain level of earnings for pilots. If the number of pilots falls less money need be raised. But in practice the balance may be tricky to achieve.

If an early retirement scheme is agreed, a still more contentious issue lurks in the background.

This concerns the possible implementation of byelaws proposed by the pilotage authorities under the Merchant Shipping Act 1979 (consolidated in 1983). These have lain on the desks of three successive Shipping Ministers since 1980 without a decision being made on them.

The pilotage authorities proposals to date cover about 10 districts, including London, and would radically alter the system whereby large numbers of small ships have hitherto been exempt from having to take pilots on board. Shipowners are opposing the change.

In some districts at present, many ships under 3,500 tons in the home and coastal trades are exempt. The new proposals would mean that for ships above 50 tons there would be no automatic exemption. It would depend on the competence of the master or chief officer to navigate the waters concerned, and they would have to get certificates by taking examinations.

Pilots are supporting the proposals but insist that they do not wish to get on board the smaller ships. They say the new system will simply be safer. It is nonsense, they argue, to license an inanimate object (the ship) as safe to navigate. Says Mr McMillan: "It's like saying that on a lorry run to Manchester it doesn't matter who drives it so long as the vehicle is licensed."

He cites the example of a small, unpiloted ship which sank in the Thames, with the lives of the crew saved only because another boat was nearby. The master disappeared, the seamen were shipped to the Netherlands and there was no inquiry.

Shipowners fear their costs will soar if their masters get involved in a complicated series of examinations. Getting those certificates for the right ports on the right ships will be a bureaucratic nightmare. They also suspect the pilots may be trying to secure their livelihoods by extending compulsory pilotage.

For the shipowners, the present system has a rough justice. The crew of coastal vessels going in and out of port might be expected to know the waters.

Pilots say this is "bunkum," pointing out that under the present system some masters can pilot their own vessels into London without having been there before.

Shipowners cut corners in their desire to cut costs, according to the pilots. Says McMillan: "You get on board ships and the officers tell you they're under pressure from the office to do their own pilotage, and they say for God's sake don't make it easy for us to get certificates because we get little enough sleep as it is."

A decision on compulsory pilotage is likely once an early retirement scheme has been agreed, which would trigger a reorganisation of pilotage.

Although the historical barriers to an amicable solution may seem great, there is now greater optimism than ever before that the issue can be sorted out. The latest offer on early retirement is certainly more generous than past offers, though problems over details remain.

London docks crisis, page 23

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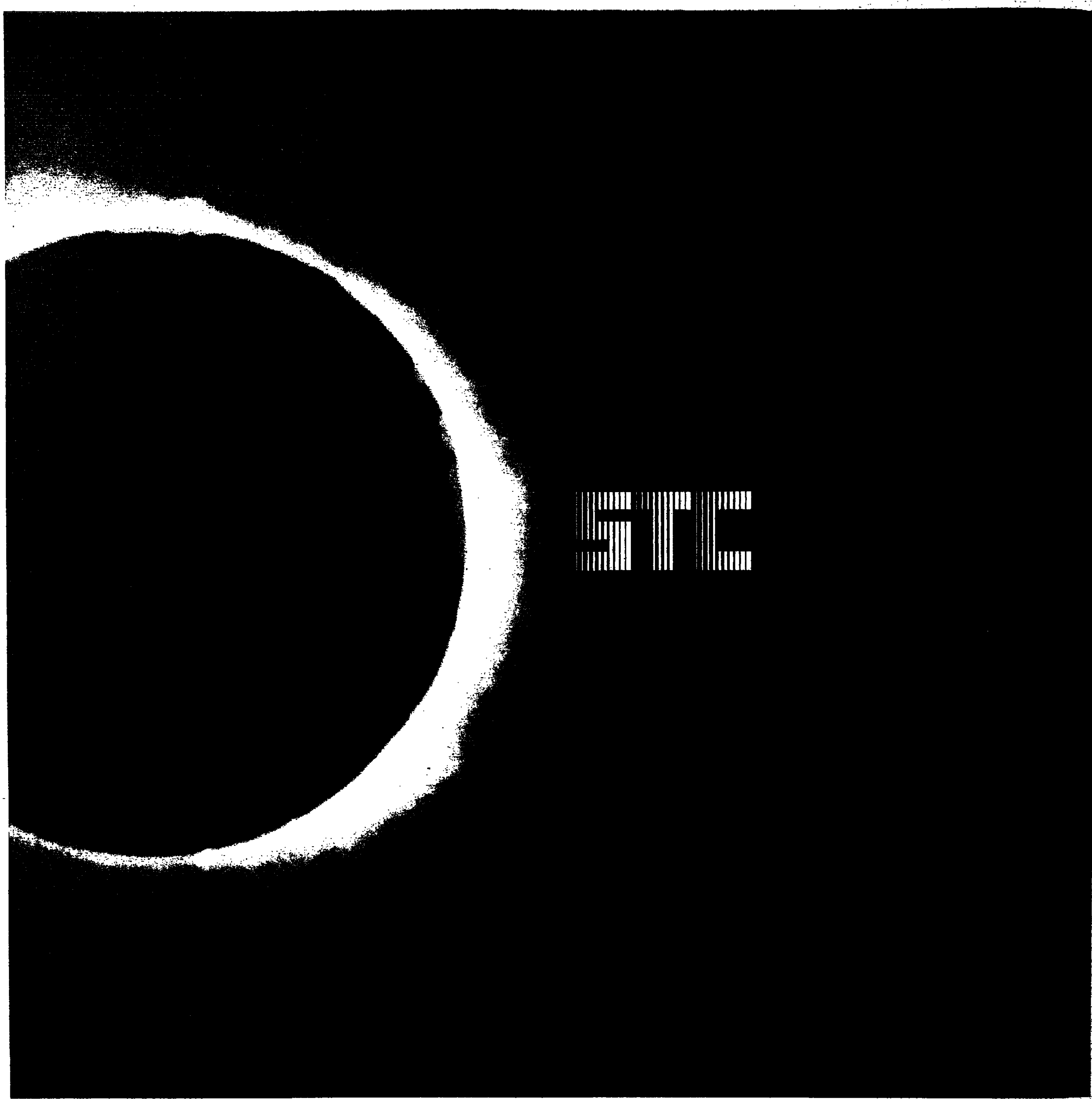
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THE ARTS

London Galleries/William Packer

'Perhaps a masterpiece'

"Masterpiece" is an epithet as easy as it is dangerous to use, and for the critic to put it carelessly to any new work, indeed to any work by a living artist, is to put his head meekly in the noose and ask politely to be turned off the ladder. But there are times when the risk is all but unavoidable, and should be taken, the position perhaps not so precarious as he may fear. Lucian Freud's latest painting, "Large Interior W11," has lately gone on show at Agnews (by arrangement with James Kirkman, who owns it, until November 18), and it is a major work by any standard, physically by far the largest thing, at rather more than 6 ft square, that he has ever done, and at the very least a technical tour de force.

It sits alone in the inner gallery on the ground floor, on the far wall below the skylight —and here I would remind any potential visitor that these are dark days, with the evenings drawing in. The gallery, rightly, is relying entirely on the natural light whilst it lasts, and it really is worth making every effort to get along before dark, and lighting-up time. It is a remarkable sight, and a remarkable experience to stand in this dim, plush room, with all attention necessarily concentrated upon the one, cool, magisterial, subtle and infinitely complex picture on the wall.

"After Watteau" is its parenthetical sub-title, but too much should not be made of it, for Freud has never had, nor sought, anything of the Frenchman's delicately suggestive intimacy, that gift of imprecise and ambiguous evocation. The reference is much more direct and practical than sympathetic. But that is not at all to say that he is unsympathetic, nor that there is no quality of intimacy to his work—rather that he is of a different kind, more closely studied and densely wrought. With Freud it is the humane intensity of feeling, vision and experience of a Rembrandt that comes to mind rather than the elliptical, poetical imaginings of Watteau.

What he has done has been to take from Watteau, from the "Pierrot Content," an obscure painting now known only in reproduction, the compositional arrangement of the five figures of the artist's friends of the Commedia dell'Arte, sitting in a row beneath idealised, vague trees in that so characteristic golden light of late afternoon, Pierrot in the centre and, to his right, Columbine playing her mandolin, the whole listening group drawn together by the gentle caresses and inclinations born of long and close familiarity. And that is all. Freud too has filled his canvas with people he knows well, friends and family he has already drawn and painted many times, presences, as with those of Watteau, long familiary to anyone who knows his work: but, though there are other references to his model besides the bare arrangement of his sitters, in particular gesture and here and there the colour of the clothes, the mise en scène is entirely his, the appropriation total.

They sit together on an old iron bedstead in a bleak and empty upper room, plaster off the wall, pipes exposed, tap running in the sink. They huddle more closely now, and the child sprawls on the floor rather than lean attentively at the woman's knee: behind them are no dark trees but the dense and fully realised foliage of rampant potted plants; and the light is not golden but the cooler, grey, diffuse light of a northern morning. It is a huge undertaking, beautifully and richly painted, the entire surface active and enaged, and a marvel of organisation and control. It is a painting of light and space, the figures and objects fully convincing in the space they hold and their relation to each other. The group is off centre, and seen quite close and from a little above, which makes for great difficulties of distortion and perspective, as the ground falls away, the whole impossibly intricate and shockingly ambitious: and yet all is quiet and stable and in its place.

There are wonderful passages of paint, some of a bravura brilliance, others more reticent but no less in their accomplishment, others again fought for, retrieved, restated and finally resolved. The marginal and subtle shifts of plane, for example, as the eye travels across the laps of the central quartet, the form tacitly described beneath the clothes, is as fine a technical demonstration as one could hope to see, and yet carried out naturally and quite without overt demonstration: the hands of Freud's daughter, Bella, at the mandolin, are spectacular, virtuoso pieces of description, each of the five heads in its own way a magnificent portrait study. But to pick details out of context is to miss the point, for all serve the common end: nothing is exaggerated nor out of key, the harmonies, dissonances and emphases all orchestrated together into a single, coherent, effective piece. It is perhaps a masterpiece.

Detail from ("Large interior, W11")

But it is not alone in that: and across Piccadilly, at David Carritt in Duke Street (until December 9), is a small, exquisite group of masterpieces by Degas, drawings, pastels, etchings and one or two small paintings, the inevitable product of the working practice of a great artist. The intention, which I must say at once is fully achieved, is to represent within a necessarily narrow scope the successive phases of Degas' career, and the range of graphic media that he employed. So we cover the ground from early self-portraits, etched and drawn, and studies after Mategna, to the late monotypes and pastels, monotype the freest printing medium of all, and here giving us, in the landscape image of the nineties, as it were a puff of ochre smoke, the abstracted and fleeting image in the show.

In between come many extraordinary things, and all beautiful: two drawings of jockeys, one from the sixties, the other the eighties, and both of them marvellous in their economy of description, effortless elegance and speed of statement: experimental reworkings in pastel upon lithographic proofs, here of Mlle Bécat "Aux Ambassadeurs": a number of tiny monotypes of the women of les maison closes: a single monumental pastel of around 1890 of a girl's head, her thick red hair falling free to her shoulders, a folded fan held against her cheek: and three bronzes, including the splendidly active study of the dancer inspecting the sole of her foot that she holds up behind her. And there is a great rarity, a tiny and ravishingly beautiful pastel worked over a monotype that is hardly known, the image, the stage seen from the wings, the actors or singers in mid-performance, the prompter in his box, the audience a blur beyond the footlights and what can only be the conductor at his desk—but who the players and what the play, and which the theatre there can be no knowing. It is altogether a lovely show, made up mostly of loans, and the useful catalogue is being sold in aid of the Friends of the Ashmolean Museum.

Raymonda/Paris Opera

Clement Crisp

Rudolf Nureyev inaugurated his régime as director of the Ballet of the Paris Opéra on Saturday night with a new version of *Raymonda*. It is some measure of his fascination with this intractable work — golden score by Glazunov; Petipa's splendid machinery of dramatic and choreographic plotting; idiot libretto by Lydia Paskova, a society novelist of the 1890s — that this is Nureyev's fifth complete staging. Andrew Porter and I have reported over two decades on recensions (for the Royal Ballet's second company, for the Australian Ballet, for the Zurich Ballet, for American Ballet Theatre) which chart Nureyev's concern, most evident in the "psychological" production in Zurich which identified Jean do Brienne and the Saracen Abderam as conflicting elements in Raymonda's emotional life, to rationalise the scenario. Now, in this grand staging for Paris, with opulent design by Nicholas Georgiadis, Nureyev has reconsidered the ballet on its original Petipa terms as a vehicle to display the resources of a great theatre and a great classic ensemble for which he has assumed artistic responsibility.

Raymonda is thus to be understood as a test-piece, even a declaration of intent, about the classic manner, its action and expressive means no less unlikely than when it was first shown in St Petersburg in 1898. We see again the ballet against whose stylistic inconsistencies—mediaeval dress set against tutus; ballet artists unreconciled as character or classical dancers — Fokine wrote so despairingly in his memoirs. After nearly a century we have learned to accept these illogicalities as ineradicable from the old ballet and can view *Raymonda* as an assertion of Petipa's abiding relevance to dancers and to public.

What remains of the original choreography may be in question. The Paris text is in part Kirov Petipa; rather more is Nureyev as Nureyev, or Nureyev "after" Petipa. (I suspect that, like the pieces of the True Cross in mediaeval Europe, there are enough alleged fragments of True Petipa in balletic repertories to build a four-masted schooner.) More significantly, Nureyev has understood the Petipa manner, not as the academic exercise propounded by many companies, but as spectacular entertainment, replete with characterisation, emotional intrigue, and not a little naivete, sustained by a torrent of richly varied dancing.

Thus Nureyev has preserved the fatuities of the scenario—spectral White Lady appearing when danger looms; vision scene; King Andrew of Hungary (who bought one of the water jugs used at the Wedding at Cana as a sacred relic on his way back from the fifth Crusade, which is the background to Raymonda's action); troubadours and soldiery—and asks us to accept them as part and parcel of an unashamedly old-fashioned entertainment in which dancing redeems almost every banality. And it says much for the excellence of the Opéra's artists, brilliantly clean in technique, that every improbability slips joyously by in the verve and spanking bravura of the performance.

In so long a ballet—the evening ran for three and a half hours—there are inevitable weak moments. These are in part due to Nureyev's sometimes fussy choreographic manner, that rejection of controlled classic language in favour of dynamic bustle. In crowd scenes, in the manipulation of masses for which he has an especial skill, the action is carried along on a surge of energy that is theatrically vivid and in such set pieces as the waltzes in the first act, the Arab, Spanish and Hungarian divertissements, the effects are stimulating.

But Nureyev's decision to turn Abderam into a danced role, when traditionally this has been a mimed character, seems to me a mistake. For Jean Guizerix, that superb artist, the part offers fidgety variations in contorted and mock-Eastern style that add nothing to its dramatic weight, and indeed detract from the menacing power of Abderam's presence.

In the first of four casts, Nureyev presented the young and greatly gifted Elisabeth Platel and Charles Jude as Raymonda and Jean de Brienne. Mlle Platel is that rare being, a pure and translucently beautiful classic ballerina. Physical harmony, grace of temperament, exquisite technique (impeccable legs and feet), are allied to a gentle, almost vulnerable charm. As with her ravishing Aurora and her irresistible sylphide, the role is danced with sweetest ease, and a delicacy of utterance in step and emotion that is never thin-toned or over-fragile. Emotional decorum, noble simplicity mark her as an artist of greatness. Charles Jude, uncannily like the young Nureyev in manner, brings a comparable elegance and technical assurance to his more shadowy role. As the old ballet's statutory "friends" of the hero and heroine, Claude de Vulpian and Monique Loudieres, Laurent Hilaire and Manuel Legris, dart wonderfully through the transcendental solos that Nureyev has set them.

Elisabeth Platel

And everywhere the finesse of the Opera's training illuminates the dance: notable are the quartet of men in the last act who, in a variation which was acknowledged by contemporary observers as marking the rebirth of male virtuosity at the Maryinsky Theatre, beat and turn with heart-stirring academic clarity. One other happy aspect of the casting is the return of Yvete Chauviré to the stage in the mime role of the Countess, sweeping through the action and manipulating her extravagant skirts with undimmed beauty and eloquence.

The staging, as you may gather, is a bold and brave declaration about the identity of the Opera ballet as a great company on a great stage. Nicholas Georgiadis has dressed *Raymonda* sumptuously, with a permanent setting that recalls mediaeval tapestries and the distant prospect of chivalrous combat, and there is a skilled transformation in the second act when Abderam's minions provide a pendant tent to enclose the Saracen divertissement. Not all the stage machinery worked at what seemed a final dress-rehearsal for the biggest scenic effects, and I thought the introduction of skeletal horses for the joust, and the clanking presence of men in armour, rather too improbable even for this improbable ballet. But like Nureyev's production, the design argues the continued importance and power of *Raymonda*, as does the Opera orchestra under Michael Sasson.

Cork Festival/Kevin Henriques

Drinking in the jazz

Cork, the second city of the Irish Republic, has seen happier days. Its somewhat shabby, down-at-heel appearance mocks the long-ago eulogies of devoted admirers such as Edmund Spencer and Robert Gibbings. Since 1978, however, the recession blues in Cork have been blown away annually by a four-day jazz festival, at present sponsored by the brewers of the country's internationally famous stout.

Jazz, from its beginnings, has been linked inextricably with drink so it was fitting that Arthur Guinness jumped in enthusiastically when the initial sponsors, John Player, opted out after four years. What is surprising to a first-time visitor is the deep and total promotional and financial commitment the Irish company puts into the event. This year Guinness invested IR£200,000, representing the biggest single sponsorship in its annual promotional budget, surpassing the amounts it contributes to the Wexford Opera Festival and the Festival of Kerry.

The loss on the 1983 jazz festival is expected to be about IR£35,000 but Guinness does not embark upon such sponsorship to make a profit. The festival is a marketing operation with several calculated aims in mind, not least to make headway in a part of Ireland where the company is not as strong as elsewhere, to get the goodwill of the licensed trade in Cork and to show a "good citizen" image, linking the product with exciting music.

Guinness and jazz thus become linked in the public's mind, an association which will be fortified advantageously next summer when Radio Telefis Eireann shows 20 half-hour television specials from the five centrepiece concerts held in Cork Opera House, a modern, characterless (inside and out) edifice, seating just over 1,000.

Inevitably in such a major festival Americans are the main attraction and practically all those at Cork, such as the Modern Jazz Quartet, Bob Wilber and the Bechet Legacy and Buddy de Franco, have played recently in Britain. But there were exceptions. Among these was Brazilian singer Astrud Gilberto whose presence in a jazz festival must be greeted with permanently raised eyebrows. Though beginning her set with an intense, moody "Caravan," interestingly arranged, she was soon into her familiar material in that unmistakable but ennui-inducing monotone. For the jazz listener interest was focused on her five-piece backing group, notably Emily Remler, a young guitarist deservedly much acclaimed in American jazz circles.

The most eagerly awaited of the unfamiliar attractions was The Counstmen — the Basie Alumni Band, a pick-up unit containing many illustrious former sidemen with the Count plus still-serving guitarist Freddie Green. Expected polish was applied to such classics as "Shiny Stockings," "9.20 Special" (with co-composer Earle Warren featured on alto) and "Doggin' Around." Trumpeter Harry Edison looked certain to run away with solo honours with exquisite dynamic touches in a duet with bassist Eddie Jones but he was subsequently upstaged by tenorist Buddy Tate whose spirited work on "Jumpin' at the Woodside" kicked everyone into the kind of cracking tempo commonly associated with Count Basie's swinging machines.

There was some Irish representation at the Opera House concerts. Best known to Britishers was guitarist Lewis Stewart with an Irish-Norwegian quintet. Compositions by Cedar Walton and Horace Silver preceded an interesting three-part suite by the Norwegian pianist Per Husby which evoked the folk music of his country. Stewart remains a constantly striving player but did not seem entirely comfortable in these surroundings.

A special welcome was accorded Cork-born trombonist-composer-teacher Bobby Lamb as musical director of the dauntingly named EuroJazz, the European Community Jazz Orchestra, a 30-strong band of young musicians (maximum age 25) from EEC countries. It mixed jazz standards (e.g., "Mile Ahead") with originals by Kenny Wheeler and Francy Boland, playing them with discipline and verve. It is exceptionally endowed with solo talent, not least of which on this occasion was Irish tenorist Richard Buckley, who impressed on a Bobby Lamb composition, "Cúchulain." His brother Michael, aged 12, showed astonishing composure and breath control on a flute feature appropriately titled "Little One," which was given a final seal of authority by an outstanding guitar solo from John Schröder (Germany).

The only all-Irish group at the Opera House was the quintet of singer Honor Heffernan (seen in the film "Angel") and flautist Brian Dunning. They had the hard task of opening the first concert and it seemed too much for them. Miss Heffernan sang popular standards pleasantly but with meagre jazz feeling. Beforehand, Dunning and the rhythm section played a couple of numbers in which pianist Noel Kelehan stood out for his inventiveness. All five seemed more relaxed in their appearances in the less formal Metropole Hotel where, in three different rooms, sessions were held during the day and at night in which British and Irish musicians played.

Other hotels had similar arrangements with different performers. Additionally there was the Guinness Jazz Trail, consisting of over a score of pubs and lounge bars around the city where jazz was played for large, enthusiastic—and boozing—crowds.

Getting the city's community and not just the concert audiences involved is a surefire recipe for a successful jazz festival. To quote the publicity: "Cork is big enough to host a festival of this kind and small enough to make you feel part of it." Anyone in Cork for the four days could not help but be part of this hectic, friendly and successful jamboree.

Partenope/Sadler's Wells

David Murray

Partenope was the second of operas Handel composed for the Haymarket, hoping to win back the audiences he had lost to ballad-operas like *The Beggar's Opera*. The vocal style is lighter and less elaborate, by and large, though there are still arias with formidably taxing "divisions" which the cast of this Handel Opera Society revival tackle boldly. There are amiable suggestions of English musical idiom, particularly in the triple-time numbers; and where Handel's full-bloodedly Italian operas offered risible plots quite soberly, there are signs in *Partenope* that the occasional laugh will not be taken amiss.

Tom Hawkes' 1981 production, sung in English, seizes thinkfully upon such hints, and with the help of Peter Rice's tongue-in-cheek story-book designs gives us a gently guyed *Partenope*. It is funny enough to hold our sympathies, but not so ludicrous as to subvert the characters' main dramatic pieces—there is after all the usual complement of grand monologues, stormy or triumphant or grieving. The plot prescribes only one transvestite character, Linda Ormiston's Rosmira ("in an Armenian habit, assuming the name of Eurimene"), although an alto was Handel's second choice for the Captain of the Guards—here the baritone Ian Caddy, so solidly stylish that one regrets the meagreness of his role.

Miss Ormiston, like Adrian Thompson as Prince Emilio, makes a notable success of playing up to the jokey tone of the production while preserving a single-minded fervour for the arias. Thompson's virile tenor makes the other male principals—counter-tenors costumed as exotic bric-a-brac—seem particularly ineffectual weeds. Arsace was originally a brilliant castrato; Paul Esswood's much softer timbre tells best in melancholy pieces, though his fury-aria was impressively agile. As Armindo (originally a mezzo) Robin Martin-Oliver is blandly assured, squarer and less subtle.

Partenope herself, with whom all the other principals are either in love or pretending to be, is Sandra Dugdale. Her soubrette manner—and a tendency to sound more like a Strauss soprano than a Handelian—diminish the real power of some of her music, but the effect is prettily consistent and the bolder passages are tenaciously sustained. There is a crisp harpsichord continuo from Robert Aldwinckle and the reliable conductor is again Charles Farncombe, a trifle inflexible as always and yet unexpectedly delicate with numbers like Arsace's rural arioso. And of course there is plenty of excellent Handel to discover: an evening of attractive rewards.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 4–10

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: The new production of Mussorgsky's Boris Godunov in its original version is by Soviet film director Andrey Tarkovsky. Claudio Abbado conducts. The cast (which includes Aage Haughland, Eva Randova, Gwynne Howell, Mikhail Svetlev, and Philip Langridge) is led by Robert Lloyd in the title role (240 1066)

English National Opera, Coliseum: The new production of The Valkyrie, a curate's egg, offers some exciting stage pictures, and fiery performances from Josephine Barstow, Alberto Remedios, and Willard White; Mark Elder conducts. The Tales of Hoffmann, one of ENO's most reliably enjoyable entertainments, returns with a largely new cast, including John Treleaven as Hoffmann. Last performance of Monteverdi's Orfeo, a controversial but heartfelt achievement (836 3161)

Royal Opera House, Covent Garden: The new Royal Ballet triple bill includes Nureyev's The Tempest from last season (240 1066)

Dance Umbrella circus of contemporary dance continues at various London venues, including Riverside Studios, which is visited by the American experimentalist Trisha Brown (Tue and Wed)

NEW YORK

Metropolitan Opera (Opera House): The seventh week of the centenary season features Don Giovanni with James Morris in the title role, with Edda Moser as Donna Anna, conducted by Jeffrey Tate, with La Boheme, La Traviata and Peter Grimes. Lincoln Center (580 9830)

New York City Opera (New York State Theatre): Ariadne auf Naxos, Tosca, Madama Butterfly, and Cunning Little Vixen. Lincoln Center (870 5570)

The Student Prince Light Opera of Manhattan): William Mount-Burke's production turns Sigmund Romberg's Heidelberg into a lively background for Prince Karl's tuneful love of Kathie. (Ends Nov 20)

WASHINGTON

Washington Opera (Opera House): Cosi fan Tutte, Rigoletto. Kennedy Center (254 3770)

PARIS

Mauricio Kagel: A musical epic about the Devil. Théâtre de Chaillot. Salle Gemier (727 8115)

Vive Offenbach conducted by John Burdekin, produced by Robert Dhery at the Opéra Comique (296 0611)

Madame Butterfly conducted by Alain Lombard in a Teatro Communale de Florence production with Raina Kabaivanska in the traditional version alternates with Glazunov's Ballet Raymonda in a new production with Rudolf Nureyev's choreography reinterpretating Marius Petipa. Decor and costumes by Nicholas Georgiadis, conducted by Michel Sasson/Michel Queval at the Paris Opera (266 5022)

Rudolph Nureyev

WEST GERMANY

Berlin Deutsche Oper: The week starts with Don Carlos, sung in Italian, with Pilar Lorengar brilliant in the part of Elisabeth. At the occasion of this year's Wagner anniversary, Tannhäuser is presented with Gwyneth Jones and Harald Stamm in the main parts. Madame Butterfly is perfectly cast with Helga Wisniewska and Franco Tagliavini. Also on performance, Tosca, finely interpreted by Janis Martin in the title role, as well as der Türke in Italien.

Hamburg, Staatsoper: Hanna Schwarz does justice to the title role in Carmen. Also in honour of this year's Wagner celebrations, Parsifal is offered this week with Wagner specialist Rene Kollo and Leonie Rysanek, famous for her rendition of Kundrey. Giovanna d'Arco, one of Verdi's less well known works, presented in a concert version, is premiering this month. Outstanding Margaret Price and Richard Curtin are singing the leading parts. There was much acclaim for Alexander Zemlinsky's two operas "Eine florentinische Tragödie/Der Geburtstag der Infantin", which reappeared on the German stage after a long absence. The Magic Flute rounds off the week.

Frankfurt, Opera: Die Entführung aus dem Serail has a complete new cast with Hildegard Heichele and Rudolf Mazzola. Der Fliegende Holländer does justice to the title role. Manon Lescaut convinces thanks to Nelly Miricioiu in the title role. La Traviata is conducted by the young American conductor Judith Somoghi.

Munich Bayerische Staatsoper: Don Giovanni, sung in Italian, has fine interpretations with Judith Beckmann and Francisco Araiza in the leading roles. Otello is of respectable standard with Vladimir Atlantow in the title role. Die Lustigen Weiber von Windsor and Ariadne auf Naxos are both Wolfgang Sawallisch productions. The latter is worth a visit because of brilliant Anna Tomowa-Sintow in the leading role.

Munich, Opera: A ballet evening devoted to music by Maurice Ravel is jointly choreographed by Ferenc Barbay, George Balanchine and Maurice Bejart (Wed)

Jewels regain their confidence

By Antony Thorncroft

THE HISTORY of Sotheby's in recent years is very much the history of the jewels market writ large. When Sotheby's boomed in the late 1970's so did its auctions of jewels at Geneva and St Moritz. Suddenly demand faltered for the large investment diamonds, the most highly-priced stones, and Sotheby's profits soon slumped. Now this season, Sotheby's has had a good jewels sale in New York and its financial position seems much more secure under new management.

Of course there was much more to Sotheby's troubles than the fall in sales and commission on jewels, but this speculative market does act as a barometer for the art world generally in its unavoidable investment guise.

But rubies and sapphires have largely ridden the storm, and so have coloured diamonds and pearls. Graham Llewellyn, head of jewels at Sotheby's, believes some of the sapphires to be sold at Geneva on November 17–18 are modestly estimated, in particular a Cabochon sapphire and diamond ring, with the stone valued at just $1,500 a carat. A Kashmir sapphire, weighing 50 carats, may be more of a problem to sell: it carries a $600,000 price tag, which limits the number of potential buyers.

Pearls are doing well because of the difficulty in discovering new pearls in the waters of the Gulf and a three-row pearl necklace, with 110 pearls weighing 4000 grains, should do well, despite a $400,000 estimate. In the New York jewels auction, coloured diamonds were the surprises, with two blue diamonds making $84,000 and $69,000 a carat. But the market in this case, as in jewels generally, could do with more sellers of top quality stones to inspire confidence among buyers.

In the October sale in New York, large certified investment diamonds were selling at $35,000 a carat. This is only half the price they might have fetched at the peak of the boom in 1979, but at least there was a market for them and prices were about 10,000 dollars a carat above their 1980-81 depths. Many holders of such diamonds are still waiting in the sidelines for prices to return to exalted levels: they might have along wait.

There are other weak areas in jewels, notably emeralds which have never quite recovered from the disappearance of Iranian buyers after the revolution. The vogue for art deco jewellery has also faded slightly in the past year as modern reproduction jewels have unsettled the market.

Jewels maintain their attraction as an alternative investment for the very rich. Many who were lured in by the price escalation of the late 1970s are still sitting on over-valued items, but as the world economy improves prices seem set to rise.

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The next step for Turkey

SUNDAY'S elections mark a firm step forward for Turkey. In allowing them, the generals who seized power three years ago have opened the way for the eventual restoration of democratic rule. The Turks themselves have helped the process along by choosing as their next government patently the most competent of the parties on offer, that led by Mr Turgut Ozal. Long a senior civil servant, Mr Ozal was the architect of the stabilisation package which has helped Turkey again to pay its way in the world. Now he has a clear majority in Parliament as he seeks to reform Turkey's creaking bureaucracy and to open up the country to a degree of competition from abroad.

Powers

But first Mr Ozal has to come to terms with the realities of Ankara today. For the fact is that whoever is prime minister of Turkey no longer has the powers which once went with this office. Instead, the generals' new constitution has introduced a strongly presidential system. Under this, the president may pass decisions and decrees against which there is no appeal. He personally selects the prime minister, may convene the council of ministers under his chairmanship, may block legislation and constitutional amendments, and may call new elections. He can stop the replacement of the retired generals now heading bodies such as the Directorate of Press and Information.

President Kenan Evren has just compounded the problem facing Mr Ozal in two speeches showing that he expects to exercise more power even than that granted him in the constitution. In the first, he said martial law would continue indefinitely: the constitution stipulates that the Council of Ministers, meeting under his chairmanship, and Parliament decide on this. In the second speech, he used the prestige of his office to ask Turks to vote against Mr Ozal. It seems to have been an outright political misjudgment. It will not make working relations between the two men any easier.

Turkey still has some way to go before representative democracy is fully restored. Sunday's elections were held under conditions of martial law and censorship. Further, the best known politicians of the past *and some of the more vigorous* parties of the present were banned or prevented, from running. The generals' hope seemed to be that keeping the country under their tutelage for another five years would cause the electorate to forget the politicians who allowed the country to sink into its pre-coup chaos.

In reality there is no practicable alternative in sight to the course on which the generals have launched the country and which should lead to more open elections in five years. It is therefore important that this course should succeed. Turkey's allies in Nato have an interest *in stability in the fragile interface* between Europe, the Soviet Union and the Middle East.

Proceeding in this direction will require good will from both the generals and the politicians. Sunday's vote for Mr Ozal suggests that the generals would be better appreciated and their reputation better preserved if they withdraw into the wings sooner rather than later. It would probably be wise for them to agree to an early winding down of martial law and to discourage judicial excesses in the trials of trade unionists and the country's peace movement.

The other side of the coin is that Mr Ozal in particular and that politicians in general have got to show restraint. Where Mr Ozal is concerned, there is every reason to expect that he will act responsibly. Even though the military discouraged his standing in the election, he has frequently lauded their achievements. He seems to believe that even the most restrictive of the generals' legislation is only challenged by a very small minority. Having been their deputy prime minister for two years he knows where the military are sensitive.

Economy

His emphasis on the economy is to be welcomed. Rapid measures are needed to tackle the problems of banks and industry. At the same time the economy must find its way back to a higher rate of growth if unemployment is not to strain further the country's social fabric. To achieve this Mr Ozal will need all the help he can get. He is bound to be challenged by politicians still less popular with the generals than himself. It is in the self-interest of the generals that they ease Mr Ozal's way.

Reforming the stock market

WITH THE publication of the Bill granting exemption for the Stock Exchange from the restrictive practices legislation, the first stage of the process of stock market reform has been completed. But in a very real sense the fundamental *debate about the structure of* the Stock Exchange has yet to begin. There must now be a sense of urgency.

The official view, whether from the leadership of the Stock Exchange or the Government, has been that changes in the way in which securities are traded in London should be phased in very slowly. The agreement between the Government and the Stock Exchange envisaged that the final removal of the commission scale might not happen until the end of 1986.

More recently, Ministers and Stock Exchange officials have urged that the single capacity structure—involving the rigid separation of the market into brokers and jobbers—should be sustained for as long as possible, and indeed strengthened, though always with the rider that in the end strict single capacity and negotiated commissions might prove to be incompatible.

But the priorities of the commercial world are quite different. Already, with yesterday's announcement of a deal between Citicorp and the brokers Vickers da Costa, the seething undercurrents of discussion and negotiation in the City of London are starting to emerge on the surface.

While many potential marriages may be delayed for the time being because the prospective partners are unsure of the future framework of the stock market, a number of other market participants are likely to take a calculated risk. Certainly, everybody in the London stock market, and many more who would like to be connected with it, are laying careful contingency plans. There is a danger, therefore, that authorities will find themselves in the position of trying to catch up with events rather than lead them.

The Stock *Exchange, for* instance, has given the impression that it wants to preserve the existing structure of the market as far as possible; though this may be partly because it is aware of the technical risk that Parliament might still throw out the legislation. If the case ever got into the Restrictive Practices Court after all, the Stock Exchange would not wish to admit that it had made contingency plans. So it may be Christmas before *the council is willing to enter* the debate.

But the City Capital Markets Committee has had no such inhibitions. This is a body set up under the auspices of the Bank of England, and composed of prominent individuals from most walks of City life. Last week it recommended that urgent planning should take place for a new market system in anticipation of the serious pressures that are likely to be inflicted upon the present one in conditions of freely negotiable commissions.

Collapse

The committee does not appear to be predicting that the existing single capacity structure will inevitably break down. But it is probably fair to say that the majority of stock market practitioners and users now believe this to be the case. Once minimum commissions are gone, the pressure for brokers to deal outside the market—thus avoiding the jobbers' "turn"—will become intense.

At any rate, the committee agrees, there is a strong chance of progressive collapse of the existing structure. Moreover, once a timetable is set for the scrapping *of* the commission scale, the discipline of the market will immediately come under strain as member firms seek to establish their competitiveness under the new conditions.

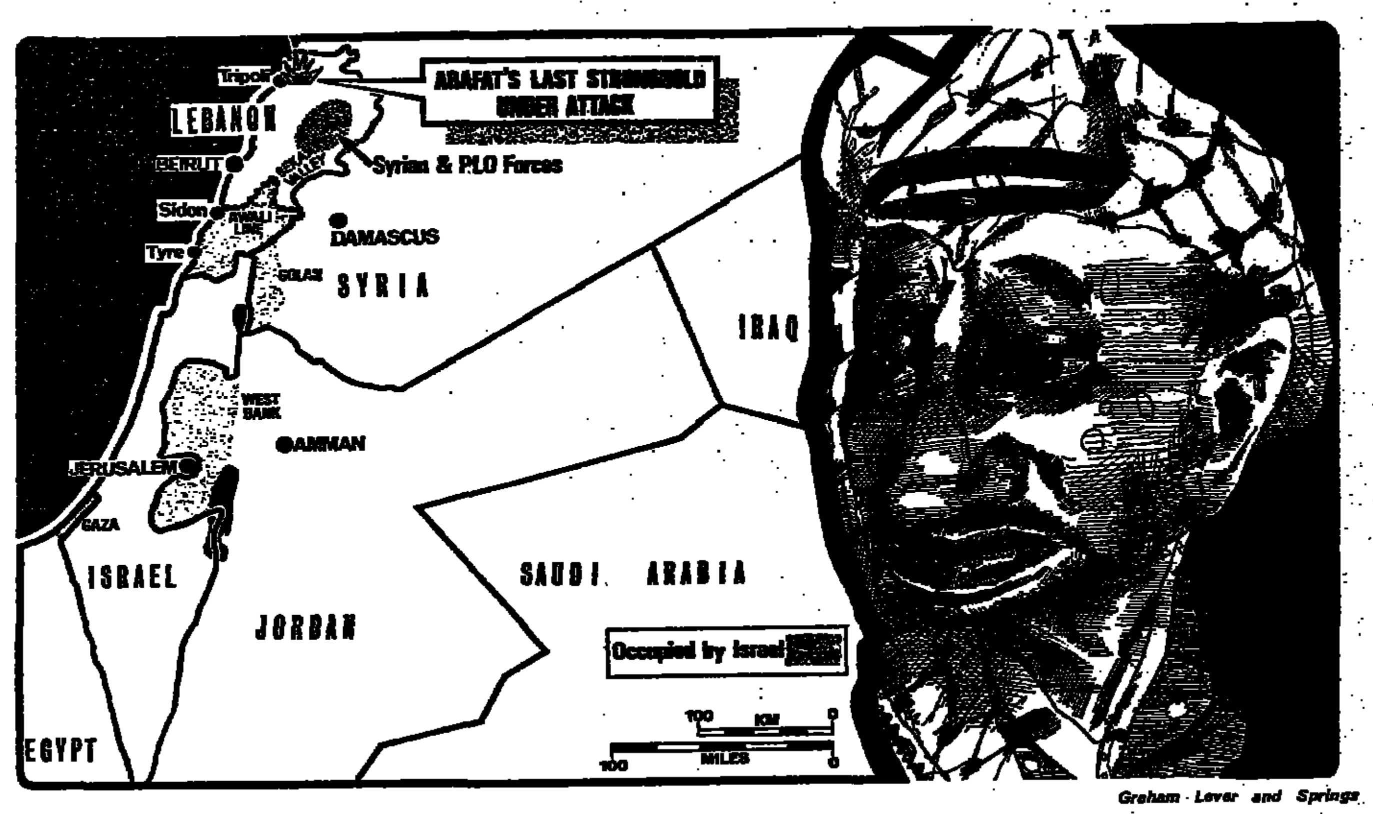
The rules could be bent by granting unrealistic dealing rates on unregulated sectors (which will soon include overseas securities) and offsetting these against the remaining controlled commissions. Or firms could quietly promise deferred discounts, redeemable when the rules allowed.

Some of the country's best financial brains are now hard at work on the restructuring *of Britain's securities market* firms. The authorities must now be acutely aware that they will have to respond to urgent commercial pressures, and not seek to operate on a leisurely regulatory time-table.

THE MIDDLE EAST

Arafat in a Syrian trap

By Roger Matthews



Graham Lever and Springs

WITHIN the context of Middle East politics Mr Yassir Arafat is a moderate. This does not mean the chairman of the Palestine Liberation Organisation is opposed to the use of the gun as an adjunct to the olive branch, but rather that he is a pragmatist and capable of compromise.

The fierce military battles raging in northern Lebanon for the past five days mark the end of Mr Arafat's ascendancy over the PLO and, for an even longer period, the end of the prospect of negotiating any form of autonomy for the 1.2m Palestinians living under Israeli occupation in the West Bank of Gaza.

Whether Mr Arafat is allowed to escape with his life from what now seems certain military defeat may prove secondary to the massive political setback that his defeat means for moderate Arab political forces in the Middle East.

Mr Arafat has been caught squarely in the nutcracker of Arab radicalism and Israeli intransigence.

A little over 14 months ago there was, remarkably, a glimmer of hope for a negotiated Middle East settlement following the traumatic Israeli invasion of Lebanon.

President Reagan had been sufficiently jolted by the scale of fighting in Lebanon and sufficiently disturbed by the behaviour of Israel to launch his September 1 peace proposals. The Arab nations responded a little later with their own eight-point peace plan hammered out in Fez and originally proposed by Saudi Arabia in conjunction with Mr Arafat. Although there were considerable differences between the two plans, there were enough points of similarity to suggest a basis for negotiation and development.

However, in the months that followed the two plans staggered and then collapsed under the weight of U.S. inactivity, Israeli rejection, and lack of moderate Arab support for Mr Arafat and King Hussein of Jordan.

The twin pillars of the Reagan plan had been co-operation between Mr Arafat and King Hussein, and a willingness by Israel to accept withdrawal from occupied territory in return for a genuine peace with its Arab neighbours.

Mr Reagan's inability to prevent Israel continuing its settlement building programme in the West Bank and Gaza, or to temper its outright rejection of his proposals, weakened the moderate Arab case. Fellow Arab leaders who had welcomed the Reagan proposals limited themselves to mainly private messages of support for Mr Arafat.

King Hussein and Mr Arafat did come close to agreement on a joint negotiating position on the West Bank and Gaza in April. But, at the last, Mr Arafat was unable to swing a big enough majority in Fatah (the main guerrilla organisation which he founded) to be able to complete the deal. A bitterly disappointed King Hussein announced the failure, which in retrospect may have sealed the fate of Mr Arafat.

The essence of Mr Arafat's leadership has always been the unity of the PLO. By crawling out so far along the branch of negotiation with King Hussein he provided the room for the radicals to cut it down from under him.

Mr Arafat's genius has always been to maintain a degree of cohesion among the eight factions which comprised the PLO. His great strength derived from Fatah, which accounts for up to 80 per cent of the PLO membership and the bulk of its fighting forces.

Fatah itself enjoyed a degree of independence, but other factions exist principally as the political arms of Arab governments within the PLO. Thus Syria, Libya and Iraq all have their surrogates while renegades such as the Abu Nidal group sell their skills to the highest bidder. Even within Fatah, there were sharp disagreements over strategy and tactics. There are a few who still argue that Israel has to be pushed into the sea, others who follow a more pragmatic line than Mr Arafat. Once more serious divisions appeared in Fatah, the whole Arafat edifice was at risk.

President Hafe al-Assad of Syria has long distrusted Mr Arafat and the possibility that a Middle East deal might be struck behind his back. The Syrians have a fear of Israeli *intentions which approaches* paranoia, coupled with ambitions which — following the ejection of Egypt from the Arab League—amount to a bid for the vacant leadership. If Syria is to be able to present itself to the world as the beating heart of Arab nationalism, the core issue of Palestine had to be within its control.

Mr Arafat's perceived weakness in being willing to consider a deal with Israel while Jerusalem was showing every sign of not being willing to budge an inch on the West Bank and was also sitting firmly on southern Lebanon, provided Mr Assad with his opportunity.

The Syrians astutely capitalised on the arguments which had developed within Fatah over its withdrawal from Beirut in August 1982 following the military drubbing it had received from the Israelis. Subsequent ill-judged promotions by Mr Arafat of military commanders who had been accused of cowardice during the Lebanon campaign set off the first public disaffections by the men who are today leading the assault on Mr Arafat's last military stronghold.

> **Syria's confidence in providing full military support for the rebels emphasises its disregard for moderate Arab opinion**

Syria's confidence in providing full military support for the rebels emphasises its disregard *for moderate Arab opinion* and the flurry of messages from Arab capitals backing the PLO leader. President Assad must now be pleased that other Arab leaders are putting up no greater defence of Mr Arafat today than they did when Beirut was under siege in the summer of 1982. Indeed, Saudi Arabia has already announced that it does not think conditions are right for the planned Arab summit to go ahead on November 20 *in* Riyadh.

It might fairly be asked, what more propitious moment there could be an for Arab summit when the leadership of one of its members—the PLO—is in *the process of being hijacked.* The moderates who enjoy a clear majority in the Arab League both support Mr Arafat and, theoretically, a negotiated settlement with Israel.

Some counts would put this majority as high as 17-4, with Egypt waiting eagerly in the wings to bolster it. For an Arab leader with vision and courage, the moment might seem ripe not just to assert the non-radical view of the Middle East, but also to accept the important contribution which Egypt can make. Should Egypt's peace treaty with Israel appear to Arab leaders today any more appalling than Palestinians *slaughtering each other in* northern Lebanon with Syrian assistance?

But political timidity and military weakness are only two of the reasons why many Arab states wish to duck that question. They also fear the longer-term impact on their own populations of their failure to make any progress on the West Bank and Gaza, or the intentions of the Reagan Administration in the Middle East and of the surge in Islamic militancy springing from the Iranian revolution and the Gulf war.

Some fear that unless they bend to this radical wind it will snap off their regimes. If the *price for avoiding* that fate is to let Syria have its way in north Lebanon, then so be it. The speed with which President Mubarak of Egypt reacted to reports that the U.S. was planning military retaliation for the death of its 230 marines in Beirut underlined Arab nervousness that American actions could make the moderate Arab point of view completely untenable.

President Mubarak's apprehension springs from America's direct military involvement in the region. The vulnerability of the marines near Beirut airport and the power of the American fleet offshore could at any moment draw Washington into the centre of the crisis.

Mr Zbigniew Brezezinski, President Carter's former National Security Adviser, said recently that not only was America's Middle East policy in ruins but that Washington was now acting "militarily as an auxiliary to the Lebanese army and politically as a proxy of Israeli foreign policy."

He added: "The U.S. is on the brink of becoming plunged in military activity against the Palestinians and the Syrians. The result of such involvement is likely to enhance the standing of Syria in the Arab world as the authentic voice of Arab nationalism."

The White House was asked for its reaction when Israeli aircraft bombed positions in Syrian-controlled parts of Lebanon on Friday in retaliation for the attack on Israel's security headquarters in the Lebanese city of Tyre. "That is an Israeli decision," was the response. Rightly or wrongly, in many Arab eyes that would be taken as approval.

Hints of closer U.S.-Israeli strategic co-operation and a possible American naval build-up off Lebanon can only reinforce Arab suspicions that plans may be under way to strike *more forcefully* at Syria both for its role in the Lebanese reconciliation talks and for its alleged ultimate responsibility for the deaths of U.S. and French troops in Beirut.

It is not always easy for Arab regimes to maintain close links with Washington when Israel is killing Arabs. It would be doubly difficult if the U.S. was to assume that role, whatever the creed or political complexion of its victims.

Certainly nothing could be more guaranteed to undermine the slight progress made by the Lebanese factions last week in Geneva. Syria is at one with the rest of the Arab world in not wishing Israel to be allowed to derive any political advantage from its invasion of Lebanon. The easiest thing to agree in Geneva was a statement reasserting Lebanon's essential Arab character and its membership of the Arab League.

In essence this means amending, not necessarily abrogating, the May 17 Israeli withdrawal agreement negotiated with the Lebanese Government under President Gemayel. If Israel refuses to accept the principle of an amendment there is no doubt that Syria has the military and political capacity to wreck the reconciliation conference when it resumes later this month. That presumes, of course, that anticipated Israeli and/or American retaliation for recent bomb attacks has not set off another round of civil war.

It also assumes that military hardliners in Israel and Washington are not tempted by the advocacy of such men as Israel's General Ariel Sharon who almost certainly wants Syria's military presence to be removed from Lebanon. With Soviet and U.S. troops only about 50 miles apart—the distance from Beirut to the Syrian border—and Syria enjoying the protection of a Soviet-manned missile system, the risk of a super-power confrontation would become all the real.

In this context, the future of Mr Arafat becomes a small pawn in a much larger game. Syria is the only approximately reliable ally of the Soviet Union in the Middle East and the only mouthpiece through which Moscow can influence or frustrate American efforts to achieve a peace settlement.

Mr Arafat must also be acutely aware of how secondary his movement is to the survival and self-interest of individual Arab leaders. Since 1970 the PLO has been the cuckoo in the Arab nest. In that year it was thrown bodily out of Jordan, in 1975-76 it was punished by Syria for becoming too successful in the Lebanese civil war and in 1983 the leadership is again being sacrificed to Syrian ambitions.

Men & Matters

Glasgow rangers

"Glasgow," said the comic, "is the only city where you rob a bank and get mugged on the way to the getaway car." The audience convulsed. Andy Cameron, one of Glasgow's infinite supply of comedians, was wowing the delegates to the Confederation of British Industry's seventh annual conference with a typical display of native self-deprecating wit.

But putting the place down has been a rare activity these past few days. Glasgow has been selling itself hard to Britain's business leaders.

The civic reception, given in the monumentally beautiful City Hall on Sunday night, had an orchestra, and food and wine well above the curling sandwiches and plonk class.

Delegates were then shepherded to the Theatre Royal to be entertained not just by the talented Cameron but by the cream of Scottish opera, the world champion Glasgow police pipe band and Fulton MacKay, late of the TV serial Porridge.

Michael Kelly, Glasgow's Labour Provost worked vigorously to get the CBI to the city and is working harder to build on the conference's success.

His council and the Strathclyde regional authority have outbid each other in assuring the CBI that neither Glasgow's reputation for violence nor its socialism should deter industrialists from moving their plants and managers there.

CBI leaders are clearly impressed and loud in their praise of the welcome given them. Some say that the seaside jaunts of the past will never be repeated; from now on it is the industrial cities willing to spend large sums on their entertainment, which will get the CBI trade.

Kelly and his comrades are not daft, though. They reckon their investment in goodwill will yield anything up to £750,000 from the CBI's two days of concentrated talking and party-going. And perhaps more jobs will follow later.

Full circle

Conventional wisdom is that life in the commodities game requires, above all else, nerves of steel.

John Horam, aged 44, who this week rejoins his old firm Commodities Research Unit (CRU) as managing director, does not think he has much to fear. Since leaving CRU 13 years ago he has kept in training in the hard school of politics, first as a Labour MP, later as a minister (he was junior minister at the Department of Transport in the last three years of the last Labour government), and finally as one of the founding fathers of the SDP.

He was one of the 12 Labour MPs to go over to the SDP in 1981, and he is still a leading party member, although his parliamentary seat (Gateshead West) was abolished at the last election, and he failed to win when he contested Newcastle Central instead.

Horam started CRU with Robert Perlman 15 years ago only to sell out when he went into politics.

Now he is back there on a salary plus profit-sharing, while Perlman moves up to become chairman.

Horam says the commodities business will suit him fine, together with the additional task of generating an overall expansion of CRU activities. He does not envisage an early return to politics although he is keeping his options open for the future.

CRU, which now employs about 100 people in London and New York advising companies, governments, and international agencies upon the commodities world, has recently completed its biggest job—a study of the effects of the world recession upon commodities, which is selling at $15,000 a copy. One of its most important messages is that the big mining and minerals enterprises should move more into trading, and should make sure their costs are more flexible in the future the better to weather recessions.

Horam and Pearlman have a similar strategy in mind for CRU, it seems. They are talking of moving beyond commodities, harnessing the expertise at their comand to become international experts in telecommunications —and perhaps going on to spawn a family of up-market consultancies.

USM graduates

As a sort of old boys (and girls) re-union the Unlisted Securities Market, which is three years old is having what it calls an "Event" at the Westminster Exhibition Centre during the second half of this week.

Companies on the market will be joined by interested stockbrokers, stockjobbers, issuing houses, fund managers and a host of other specialists who contribute to the working of the USM.

Britannia International Investment Management might be called the Fairy Godmother of the four-day party as it is acting as sponsor.

But undoubtedly the role of headmaster to the USM classes of 1981, '82 and '83, goes to Brian Winterflood, the managing director of Bisgood Bishop, the stockjobbers. Although the smallest of the big five City jobbers his company is the only one to deal in all 200 of the USM stocks.

Bisgood does not deal in the Gilts market and Winterflood was anxious to broaden his company's base. "*It seemed natural* for us to specialise in this new market," he says. "We haven't regretted it and it is our intention to deal in every new stock that comes along to USM in future."

The USM is one of the very few activities (legal ones, that is) in Britain where a lucky businessman can walk away burdened by the weight of his wallet after his company has found favour. The market's opportunities for small businesses have a special appeal to Winterflood who himself started in the City as a messenger boy.

As a birthday present for the USM he is setting up a new dealing pitch on the floor of the Stock Exchange which will be split into three sections handling the 200 stocks in easy-to-manage groups.

Punch line

Britain's teetotal technicians—if there are any—may soon find their services at a premium.

That, at least, seems to be the inference of a conversation between President Numeiri of Sudan and the British Ambassador, Richard Fyjis-Walker, reported in the English-language Moslem magazine, Impact International.

Commenting on the introduction of Islamic law in Sudan, our man in Khartoum apparently told Numeiri that *there might be difficulty in finding* British technical experts to work on the country's development projects if the ban on alcohol was strictly applied.

"Are the British a nation of drinkers?" Numeiri demanded. "Almost 95 per cent of our people like to take a glass or so, socially or after work," Fyjis-Walker replied.

"Then you can find your experts from the 5 per cent," Numeiri retorted.

No account

"Daddy, what is an actuary?" I asked yesterday. A reader tells me that the usual reply is: "Someone who found accountancy too exciting, my son."

Observer

Letters to the Editor

Some legal points of order on Grenada

From Mr Amédée Turner, MEP for Suffolk and Harwich

Sir,—I was surprised to disagree with practically every assertion made by "Justinian" (October 31) concerning the position of the Queen and the Governor-General in Grenada. Justinian clearly regards the Governor-General as less than the Queen in Grenada. But he has all her authority there unless she is in Grenada or she has ended his mandate. This is inherent in the total independence of a Commonwealth country, such as Australia or Canada. Grenada is in exactly the same position.

Therefore Sir Paul Scoon, in carrying on his office after the revolution which brought in Mr Bishop and after the revolution which removed him, was taking a course of action which the Queen could take in Britain in the case of revolution here. She could abdicate or she could continue to reign passively or, because the constitution (partly unwritten in our case and partly in statute form) would have been violated, she would be free to play an active part to obtain the best form of government for Britain in her judgment in the circumstances of the time. In other words, in Britain she could take an active part if she wished because the constitution, which had limited her powers, would have been abrogated. Her monarchy would not end simply because our democratic constitution had.

In the same way, if Sir Paul chose to remain passive (as he did) and she did not withdraw his authority, he continues as Governor-General; and if he takes an active part after the revolution and she does not withdraw her authority, he remains Governor-General. Therefore, the Queen's position towards him is not just one of sympathy, as Justinian says. Similarly, if he invited in the U.S. forces and now attempts to set up a government, so long as she does not remove his authority he is still acting as Governor-General not, as Justinian says, merely as a leading citizen. Also, I do not agree that the Queen's role in Grenada has ended until democracy is restored, any more than it would do so in similar circumstances in Britain. Finally, I do not think Justinian can possibly assume that the Queen or her subjects here or elsewhere prefer former colonies to become republics within the Commonwealth rather than monarchies.

Amedee Turner,
3, Montrose Place, SW1.

From Mr Jonathan Luxmoore

Sir,—Your coverage of the crisis in Grenada and your depiction of the American intervention as a violation of Grenada's self-determination have reflected a serious misunderstanding of its avowed purposes.

Grenada is a sovereign Commonwealth state, but this sovereignty ultimately resides in the nation itself, and is exercised and safeguarded on its behalf by the delegated authority, in this case the Governor-General. Precisely how a Commonwealth Governor-General, as the guardian of national sovereignty, should react to internal constitutional violations, and distinguish these violations from natural evolutions in the constitutional process, is inevitably based upon a political decision.

The constitutions adopted by Britain's former colonies, which were worked out with great care in the period prior to independence, were not rigid structures. It could not always have been predicted which national and social characteristics would subsequently assert themselves. Some room had to be allowed for change and adaptation.

This accounted for the acceptability of the military regime of the late Maurice Bishop, which was recognised by Britain and the U.S. in 1979. Although this Government lacked the constitutional legitimacy which it could have gained by popular vote, it was apparent that Mr Bishop enjoyed a considerable degree of popular support and hence could lay claim to a kind of provisional legitimacy of its own.

Such support and legitimacy were clearly not enjoyed by the regime which supplanted it. It was in order to restore the national sovereignty and constitutional rights of the Grenadian people, which had been thrown aside with such barefaced and presumptuous brutality, that the Governor-General exercised his constitutional duty as the sole legitimate authority remaining in Grenada by appealing for outside assistance. The American action was not "ill-considered," nor based upon any ideological "simplification." The United States has not violated Grenadian sovereignty and independence; it has restored them. There has, in this respect, been no infringement of international law, nor of the United Nations Charter. There can be no comparison with the Soviet invasion of Afghanistan. The only interests which Washington has acted against by agreeing to help the Grenadian people are those of an unconstitutional and unrepresentative regime and its Soviet sponsors.

Jonathan Luxmoore.
Institute for European Defence and Strategic Studies,
12a Golden Square, W1.

Controversy on the South Bank

From the Secretary, Royal Fine Art Commission

Sir,—I have only just seen Colin Amery's article, "The Great South Bank Controversy" (October 22) in which he quotes me as saying that the Royal Fine Art Commission intends "to push hard to improve . . . the generally low quality of most of the new proposals" on the Hay's Wharf site. These were not my words. Indeed I told him that my Commission warmly supported the development adjoining London Bridge by the John S. Bonnington Partnership. The only major building which the Commission had not yet seen, and about which I personally expressed reservations, was Cotton's by Michael Twigg Brown and Partners. The rest of this huge scheme (and we are talking about the first phase only) consists mainly of the renovation of existing buildings, which my Commission commended from the start.

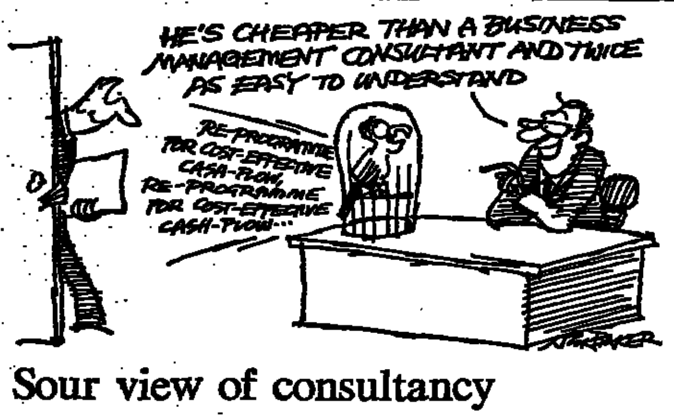
Sherban Cantacuzino.
2, Carlton Gardens, SW1.

From the Chief Architect and Planner, London Docklands Development Corporation

Sir,—I was greatly surprised to read in Colin Amery's personal assessment that, apart from his own rather sour views as to the architectural quality of the Hay's Wharf development, "The Royal Fine Art Commission, an official architectural watchdog," had "not yet examined in detail all the proposals" and that its secretary, Mr Sherban Cantacuzino, "told me that he intended to push hard to improve what he called the generally low quality of most of the new proposals."

I can hardly believe that Sherban Cantacuzino's views were quoted accurately in as much as they are in complete conflict with his description of the Commission's views contained in letters to me following on consultation by the LDDC. On August 23 1982 he said "Members warmly welcomed the overall proposals for Hay's Wharf, feeling that they would result in a successful solution to the problems of access to, and movement within, the area. They also felt that the proposals for the riverside walk were most successful" and on November 23 1982 he wrote "The Commission warmly accepted Mr Bonnington's scheme, feeling that it represented a successful solution to the problems of the site. It saw no point in lowering the building in order to maintain the existing views of Southwark Cathedral, and expressed every confidence in the architect's ability to develop his design, believing that the detailing should be left entirely to him."

E. E. Hollamby
West India House,
Millwall Dock, E14



Sour view of consultancy

From Mr K. H. Holland,

Sir,—I was fascinated by the articles on the Management Page of your issue of October 21. After a lifetime of visiting business houses of all types and sizes and examining their accounting and operating procedures for revenue purposes I am firmly of the view that business management consultancy in all its guises has been, and apparently remains, the *bête noire* of British business.

Consultancy jargon, dressing up the obvious but at the same time confusing it and then pretending to solve the very confusions at has itself created, has brought lucrative rewards to the consultancy business itself and puzzled dismay to numerous businesses in more practical fields.

Some years ago, if my memory serves me right, both ICI and Dunlop made public statements to the effect that they had belatedly "seen the light" and sent their business management consultants packing. Both have since had organisational and monetary traumas — apparently the delayed results of consultancy.

Commiserating with an erstwhile contact of mine, a proprietor of a string of retail household fabrics outlets about some organisational problems he was having I suggested—tongue in cheek—that he employ a business management consultant. His response was emphatic: definitely NOT. Quoting the secretary of his own trade association he said: "If you want to know what is wrong with your business ask the people who work for you."

I am convinced that the business management consultancy craze (for that is what it surely is) must answer in large measure for the declining performances of much of British private and public business over the past 20 years or so.

Would that we could submit business management consultancies to business management consultancy. . . .

K. H. Holland.
Sea Whins,
Fort Argyll Road,
Campbeltown, Argyll.

Cutbacks at British Steel

From Sir Charles Villiers. Chairman, British Steel Corporation (Industry).

Sir,—Your leader on November 3, comparing British and German cutbacks in steel output states, "When a British Conservative Government finally got to grips . . . the cutbacks in output and man power were impressive."

For the record I have to say that the BSC cutback of output was mainly done under Callaghan's Labour Government. Nine large steel works were closed, capacity was pretty well halved and the workforce was reduced by some 60,000 people.

The Conservative Government sanctioned the closure of Shotton and other small facilities, but most of the cutback in output and much of the cutback in manpower had by then been done. The stage was then set for a remarkable increase in productivity by further redundancies, good management and workforce co-operation. It is this that you should call "impressive."

Charles Villiers
Radstock House,
5, Eccleston Street, SW1.

When a critic is criticised

From Mrs Hannah Quinn.

Sir,—Nigel Andrews must be speaking for himself when he remarks in his review of the film *Little Ida* showing at the *Minema, Knightsbridge*, that the trauma experienced by a seven-year-old girl trapped between different loyalties and lifestyles in the Nazi occupation of Norway left the audience and himself "unmoved." Practically every critic there was interested enough to review the film at length in their columns. Mr Andrews must strike readers as being fundamentally more interested in writing than in *criticism* and perhaps that is what he should be doing. To be more interested in knocking out a startling simile but to be unable to enter into a child's emotions as other critics were able to do speaks for a certain lack of knowledge about human relationships, and perception. For the calm reticence of little Ida's face to be described as a "mug" does show a certain youthful lack of imagination. It is not Mr Andrews' fault that he is too young, I presume, to be able to know what life was like for people living in countries occupied by the Nazi armies. They had to learn painfully to stifle their emotions when dreadful happenings took place, but the seeming impassivity of little Ida in the face of calamity is only understood in that context. Does one shriek when a gun is pointed at you? Mr Andrews has had all the benefits and disadvantages of living in surroundings so far untroubled by the horrors of war and invasion. Let us all hope that these circumstances continue, but it is surely unimaginative to say the least to minimise the efforts of those who seek to warn us, directly or indirectly, that peace is not our preroga[illegible] and war can still return with all its power to destroy innocent victims.

Hannah Quinn.
Crescent Cottage,
108, Marine Parade, Brighton.

P/e ratio as an elastic ruler

From Mr Michael Harmer

Sir,—Lex on Saturday notes the move towards p/e ratios calculated on an actual tax rather than fully-taxed basis. That the City has recently been feeling less at ease with the existing system is a good indication, not before time, that the p/e ratio is about as much use as an elastic ruler.

The ratio takes two simple items, share price and net profits although these are not necessarily related, and combines them into a meaningless figure. If the share price goes up, a good thing, it has the same effect on the p/e as if the profits go down, a bad thing. So a movement in the p/e ratio up or down can be caused by totally contradictory movements.

The share price is an event subject to daily change but earnings, the other component, are derived from a balance sheet covering a whole year, a figure which could easily be over a year old. There is no reason whatever to relate today's share price to what a company earned in a previous period. Any view formed from such a spurious relationship must have no meaning.

To say that the p/e ratio represents "purchase of earnings" is unrelated to the practice of anyone anywhere. Despite the disguise of numerical precision it is not possible to make any useful comparison between the p/e ratios of any two companies, even in the same sector, except as a crude approximation.

Why the credibility of such an utterly useless measure should persist is a mystery. Perhaps its qualities of ambiguity and obscurantism make it attractive to financial commentators and thus impossible to dislodge from City mythology.

Michael Harmer.
10, Tyrells Close,
Chelmsford, Essex

Incentives for management

From Mr A. Vernon Harcourt

Sir,—Tim Dickson's article on share option schemes suggests that they are virtually unknown "this side of the Atlantic." Our experience suggests otherwise.

Whilst it is true that such schemes are infrequently found in smaller UK companies, they are widely used in the largest UK companies. Our 1983 study for the Charterhouse Group of over 1,000 companies' annual reports showed that over 50 per cent of all companies with over £200m sales had executive share schemes whilst under 10 per cent of small companies with less than £7m sales had such schemes.

As a result of the reductions in the highest marginal tax rates by the previous government, executive share schemes have grown in popularity in the last three years, from about 20 per cent of our sample of over 1,000 UK companies in 1981 to 29 per cent in 1982 and to 31 per cent in 1983.

Obviously it would be a popular move amongst executives to improve the tax position of share options. It is, however, misleading to think that the executive with an option runs the same risks as a shareholder. The benefit to the executive is that the share option has no down side risk.

A. W. Vernon Harcourt.
Monks Partnership,
Debden Green,
Saffron Walden, Essex.

Broker and FT bashing

From Mr John Hall

Sir,—Although Mr Gordon's tongue is evidently curled deep in his cheek ("Broker Bashing," Nov 3) he does have a valid point about competition. Whilst yielding to none in my admiration of your paper's excellent comment and coverage, I do think your contributers should remember that the F.T. is in a commanding position, having bought out the competition in the past, to exert a virtual monopoly. As inhabitants of glass houses they should forbear to throw stones at those in a more harsh competitive climate.

The FT's pre-eminent position was proved when the management was able to pass the cost of submitting to the unions straight on to their customers after the great strike. Perhaps we, the readers, should retaliate by buying up our own newsagent and distributing the FT at wholesale prices. Alternatively we might buy a single copy of the FT for 35p, photocopy it 50,000 times and distribute it for 10p to city readers. Whilst both plans would be difficult to implement due to protective legalisation, one does wonder why competition should only apply to poor brokers and not to rich press barons!

John Hall.
Chalk House Green Farm,
Kidmore End,
Reading

Pet aversion at the polls

From Mr M. B. Daniels

Sir,—Mr David Townsend's system of "vote ranking" fails to give a fair reflection of opinion because it treats the actual vote as necessarily the voter's genuine first preference. In a large, but unknown, number of cases it will in fact represent his second preference, favoured in order to avoid "letting in" his third preference.

The only sure way to ascertain the voter's real first preference is by the single transferable vote system. There is then no fear of "letting in" the voter's pet aversion.

M. B. Daniels.
134 Bradshaw Road,
Bradshaw,
Bolton.

Port of London

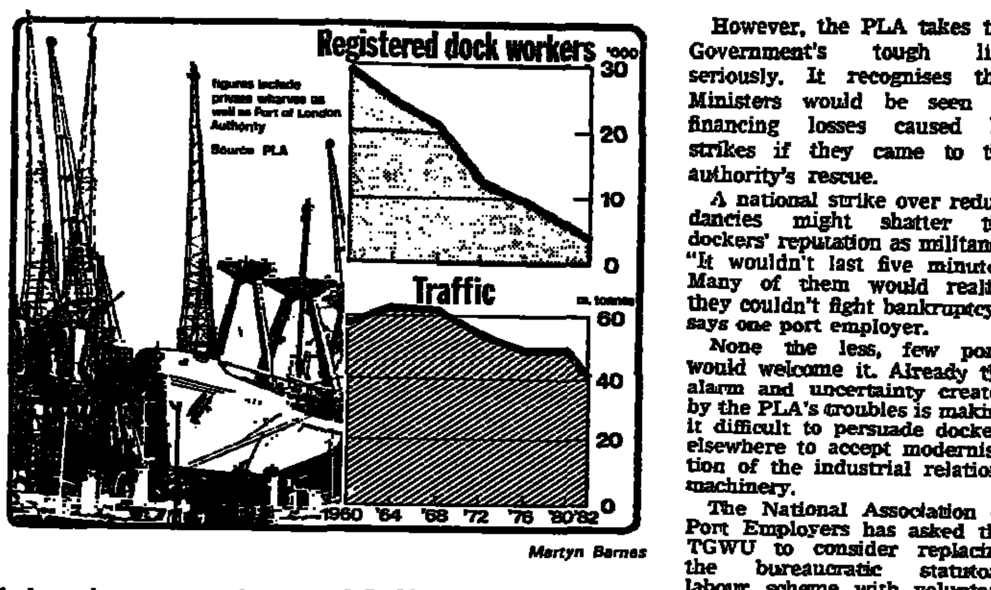
'Few dice left to throw'

By Brian Groom, Labour Staff

CRISES at the Port of London Authority recur with doleful regularity, but there is no doubting the gravity of the current one. This is the last chance for Britain's biggest and most beleaguered port.

"We have not many dice left to throw. It is impossible to get any form of commitment from customers unless we can guarantee reliability. The alternative is horrendous," says Mr Victor Paige, the chairman.

The ports industry is nervously watching the PLA's battle to survive after 11 financially crippling weeks of pay strikes by dockers and ships' clerks this spring. The next few months will be crucial.



Martyn Barnes

The consequences of collapse would be far-reaching. At the very least it would mean the failure of five years' lame-duck nursing into which this theoretically *laissez-faire* Government has been drawn very uneasily. The troubled PLA has had some £150m in direct and indirect state aid since 1978.

At worst, it could provoke a long-feared crisis over the way the Government and employers have handled the steep decline of Britain's registered dockers in the wake of the dramatic changes caused by the containerisation of cargoes.

In 1972 the dockers were in the forefront of union battles against the Heath Government's Industrial Relations Act when five of them—known as the Pentonville Five—were jailed for contempt but then released. Shortly afterwards dockers staged a bitter national strike over job losses.

Since then peace has largely been maintained by avoiding enforced sackings, while voluntary redundancies have cut the registered workforce from 41,000 to 13,900. But the industry has paid a high price in severance payments. It has lived with the cost of a labour system it considers outdated and inflexible, and which has kept surplus dockers on employers' books even when there is no work for them to do.

The 36-year-old statutory dock labour scheme allows unions to sit jointly with employers on local and national boards which control the size of workforces. The 1972 Aldington-Jones report, issued after the strike, stopped the system whereby the "temporarily unattached register" was in effect being used to keep dockers in an unemployment limbo rather than allocate them to other employers.

The impression that dockers have the right to a job for life unless they volunteer to go is a myth which could be cruelly shattered by a PLA crisis, say employers. Compulsory redundancies are possible under the scheme. They may become unavoidable.

If the Transport and General Workers' Union were unable to block them by using its votes on the labour board, it might threaten a national strike. That would test the Government's nerve. But it would also prove whether the 1972-style solidarity of the dockers has survived.

Since January 1 the Government has refused to meet any further trading losses by the PLA. Ministers have repeatedly said they will not change their minds on this score.

The authority has avoided an immediate cash crisis only by the sale of the Royal Victoria Dock, Newham, to the London Docklands Development Corporation for about £5m. The proceeds from this—plus a £5m government overdraft facility—will cover this year's net losses, which may be anything up to £7m.

But there is likely to be more red ink next year, unless the authority can win back the 10 to 15 per cent of traffic it has lost because of the disputes, and find some way of reducing its surplus of about 400 dockers for whom there is no work.

Its options are already narrowing. These include:

- Seeking a no-strike deal to restore confidence in the port's reliability. Branch meetings of the 1,930 London dock workers have rejected this, but the PLA could still seek a two-year pay deal which would do something to remove the threat of yearly disruption.
- Winning back lost trade. An uphill struggle, and the Government appears pessimistic about the PLA's chances of achieving it.
- Transferring business to the PLA's four tenants—Tilbury Container Services, West Africa Terminal, Seaboard Pioneer Terminal and Svenska Cellulosa. But this would be a defensive measure to shore up their own businesses and prevent any pulling out, rather than a solution to the PLA's problems.
- Improving productivity. Moves are under way to make working practices more efficient, but these will exacerbate the surplus of dockers.
- Voluntary redundancies among dockers. Though the Government still funds these and payments of up to £22,500 have been available, too few jobs have been shed.

Some TGWU leaders remain unconcerned about the PLA. Asked whether he feared its financial collapse, Mr Bill Munday, district officer, says: "No. We have lived with it for the past 10 years. I don't think the Government would allow the situation to arise." He doubted whether Ministers wanted to take on the dockers over compulsory redundancies.

However, the PLA takes the Government's tough line seriously. It recognises that Ministers would be seen as financing losses caused by strikes if they came to the authority's rescue.

A national strike over redundancies might shatter the dockers' reputation as militants. "It wouldn't last five minutes. Many of them would realise they couldn't fight bankruptcy," says one port employer.

None the less, few ports would welcome it. Already the alarm and uncertainty created by the PLA's troubles is making it difficult to persuade dockers elsewhere to accept modernisation of the industrial relations machinery.

The National Association of Port Employers has asked the TGWU to consider replacing the bureaucratic statutory labour scheme with voluntary collective bargaining, as in other industries. The union has turned this down, saying that employers cannot be trusted to run a voluntary system.

The PLA was recovering nicely before the dockers' and clerks' disputes. It had cut post-interest losses from £12m in 1980 to £3.3m last year (an overall £76,000 profit after restructuring), and was set to make a net surplus of up to £5m in 1983.

Loss of business has put that target beyond reach. "There is very little difference in price between Tilbury and Felixstowe, but we need reliability," explained Mr Rhidian Griffiths, European president of Sofati container service, when it fled from London to the east coast during last spring's dockers' strike.

Dockers remain one of the most unpredictable groups of workers. While the Port of London this year suffered the longest strike in its history, the once militant Port of Liverpool has had its best year of industrial peace for more than a decade.

Charged like the PLA with ending its losses this year after receiving similar amounts of government aid, the Mersey Docks and Harbour Company turned in a first-half trading profit of £3.6m. Liverpool has a two-year pay deal of the kind that the PLA is seeking. It even has an agreement stating that if a dispute occurs on one ship, it will not spread across the port.

FINANCIAL TIMES

Tuesday November 8 1983

SOVIET PRESIDENT'S ABSENCE SPARKS LEADERSHIP SPECULATION

Andropov's potential successors line up

BY ANTHONY ROBINSON IN LONDON

MR YURI ANDROPOV'S failure to appear on the saluting base atop Lenin's tomb in Red Square yesterday has underlined what many have long perceived as the essentially interim nature of the ageing leader's rule and raised the question of who might be his eventual successors.

That this should happen so soon after the demise of Mr Leonid Brezhnev, a man incapacitated through illness for much of his last six years of power, has increased the chances that the next leader to emerge will have to include relative youth and fitness among his other, more political, virtues.

Soviet leaders are chosen from within the ranks of the Politburo. But Mr Andropov has not been able to promote any fresh blood apart from 59-year old Geidar Aliyev, a former KGB official and party boss in Azerbaijan, who moved up from non-voting candidate status to full membership of the Politburo ten days after Mr Andropov assumed power.

Since then, he has been put in charge of the anti-corruption campaign and detailed to sort out the problems of Soviet railways. But Russians suffered too much under the Georgian Stalin to stomach another non-Russian leader, and Mr Aliyev's chances of eventual promotion to the leadership are slim indeed.

The range of prospective leadership candidates could be widened if Mr Andropov is able to retire some of the older Brezhnev appointees, like the 78-year old Prime Minister, Mr Nikolai Tikhonov, 72-year old Mr Konstantin Chernenko, the 71-year old Kazakh party boss Mr Dinmukhamed Kunaev or 69-year old Moscow party boss, Mr Viktor Grishin.

He is not likely to want to replace either 74-year old Foreign Minister Mr Andrei Gromyko or 75-year old Defence Minister, Mr Dmitri Ustinov, because they are his main supporters.

Even if he kept the present Politburo team intact he would still be able to appoint new men to replace the two recently defunct members Mr Arvid Pelshe, who died aged 84 in May, or candidate member Mr Sharaf Rashidov who died last week. Thus far, however, he has not been politically strong enough either to replace or retire.

This means that only two men have both the age and Politburo experience to make them *serious* leadership candidates, 60-year old former Leningrad party boss Mr Grigori Romanov and the 53-year old Benjamin of the Politburo, Mr Mikhail Gorbachev.

Mr Gorbachev was brought into the Politburo only 3 years ago, although he has been a central committee secretary with responsibility for agriculture since 1978. As a university law graduate and trained agricultural expert, he is the best formally educated man of the team. He has been groomed to meet foreign delegations, promoted to supervise the forthcoming party elections and membership selection process, and recently impressed his Canadian hosts with his sophistication and authority when he lead a Soviet delegation to Ottawa and the prairie farming areas earlier this year.

Mr Andropov is believed to regard him highly, and if the international situation, expecially the state of U.S.-Soviet relations, was less frigid than it is, his chances of reaching the top would rate as good.

But the Soviet Union shows clear signs of hunkering down into a beleaguered "fortress Russia" mentality and Mr Romanov, no relation to the old Czarist royal family, has the credentials to run that kind of policy.

Unlike Mr Andropov, with his KGB power base, Mr Romanov is a man of the party apparatus. For more than 12 years, he has run Leningrad with a tight rein. He has cracked down hard on dissidence and unorthodoxy, supervised the big new housing and industrial projects of the former Russian capital and maintained close links with the military-industrial complex of Leningrad's important naval base, shipyard complex and sophisticated arms industries. He has also kept an eye on the neighbouring Baltic states and Poland.

The fact that he was brought into the centre of power in Moscow last June after 12 years' "exile" in Leningrad is significant. There is evidence that Mr Andropov singled out Mr Romanov long ago as his most serious contender for the top job, and did his best to discredit him by spreading through KGB disinformation channels reports of a drunken wedding party in the Hermitage Museum. Guests at the wedding of Mr Romanov's daughter were alleged to have smashed the former Czarina's crockery, loaned by a reluctant Hermitage staff at Mr Romanov's insistence.

It is not known whether Mr Andropov has subsequently revised his opinion or was not strong enough to prevent Mr Romanov's move last June to a key central committee secretariat post.

But the fact is that Mr Romanov is now well placed to add to his old Leningrad power base the new connections made possible by his Moscow secretariat post.

Whether this sparks off a new Kremlin power struggle or not, appears to depend largely on whether Mr Gorbachev is willing, as seems likely, to forge an alliance with Mr Romanov. Mr Gorbachev, after all, still has the youth to gain further experience and emerge, with luck, as the chosen candidate next time round.

Anthony Robinson, Moscow Correspondent, was expelled from the Soviet Union in April.

THE LEX COLUMN

Taking an option on London

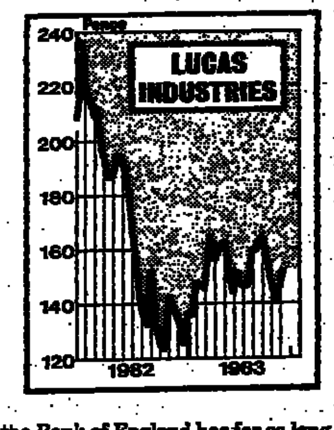
The day may not be too *far* off when the straightforward purchase by an outsider of a 29.9 per cent holding in a stock exchange firm looks a quaint and archaic exercise. Last week's engagement between RIT & Northern and Charterhouse gave a striking indication of the capital resources which may be at the disposal of the big new groupings, while yesterday's announcement from Vickers da Costa and Citicorp showed how much the game has changed since Security Pacific took its stake in Hoare Govett last year.

While abiding by the letter of the 29.9 per cent rule, Vickers has in practice sold its birthright. Citicorp will buy majority control of the international operations, which have recently accounted for 70 per cent of Vickers's earnings and roughly the same proportion of net assets, while leaving a minority of about 20 per cent with existing management. In London, meanwhile, Citicorp has paid a premium for its minority in return for an option on the rest as and when the rules allow.

The high price extracted by Vickers for the effective loss of its independence may strengthen the bargaining position of all those other brokers who are burning the midnight oil in talks with outsiders. The price paid for the package suggests a value for the whole of Vickers of around £22m, which represents a multiple of around 9 times actual tax earnings for the year to August. But the multiple on average earnings over the past three years is no less than 15¼.

The mixed arrangement does have a few advantages over the Hoare Govett structure. Vickers is hedged against the possibility that the London rule book is not changed since, in extremis, it could resign its London membership and trade UK securities through the existing Citicorp network.

Yet it also faces numerous potential obstacles. In an industry in which deals can be booked through any one of several centres, 80 per cent ownership outside London and 29.9 per cent in it presents problems of conflict of interest. And the regulatory hurdles are awesome. Not least of them is Tokyo, where Vickers has valuable branch status and where no more than 10 per cent of a securities firm can be owned by a bank. Citicorp will certainly present itself in stockbroking tweeds, but its arguments may not convince a Ministry of Finance irritated that the Bank of England has for so long denied banking status in London to its own securities houses.



Lucas Industries

New car registrations have been running at such a high level in recent months that yesterday's preliminary results from Lucas Industries caused *some disappointment*. On sales of £1.2bn, pre-tax profits have fallen from £20.2m to £2.1m. Even then, it seems, only a smaller than expected reorganisation bill of £18m kept the group profitable at all – and this, after a reduction of the workforce by 30 per cent in the last three years.

A 5p jump in the share price was readily attributable to Lucas's maintenance of its final dividend.

In the year to July, though, total UK car production climbed only 2 per cent, with the real upturn concentrated into 27 per cent jump in the June quarter. Lucas compounded its own problems by concentrating most of its lay-offs in the end of the year.

Taking the core UK vehicle equipment division, Lucas turned first half losses of £12¼m before reorganisation costs into second-half losses of £8¼m – evidence of the group's first turnaround in four years and a pointer, perhaps, to the gains which could accompany a sustained volume recovery on the basis of Lucas's improved productivity.

Any weakening in sterling against the D-Mark would also provide significant benefits.

On the other hand, there are ample grounds for the market to restrain any enthusiasm about these recovery prospects. Lucas's margins are no longer being nourished by lucrative sales to the after-sales market. In the original equipment sector, it is being tightly squeezed by British Leyland and a shift from heavy to light commercial vehicles. Most ominously, imported components have been having an impact on prices quite out of proportion to their volume sales, which remain relatively low.

Perhaps the kindest thing that can be said for the shares is that Lucas is at least emerging from its marathon slimming operation with its balance sheet still sound: total net debt to shareholders' funds has moved from 47 to 42 per cent. In the meantime the shares are still yielding 8.3 per cent and the scope for potential recovery is undoubted.

ABF

No-one could accuse Associated British Foods of pursuing an extravagant dividend policy. Its cover has always been unusually conservative even in an industry boasting its fair share of tight-fisted finance directors. So yesterday's 17.3 per cent increase in the interim payment was something out of the ordinary, particularly as it coincided with the first fall in pre-tax profits which ABF has reported for years.

The coincidence, however, helps to illustrate how the character of ABF has been changed by the disposal of its investment in Premier Group. Withdrawal from South Africa deprives it of what was, for all the heavy capital investment and high gearing, an avenue of interesting long-term growth and leaves ABF looking more mature and – for the moment – less exciting.

Yet the move has also transformed both the balance sheet and revenue account of the company. Having brought its currency forward, ABF has been able progressively to convert the rand proceeds into £200m of hard cash. And, to judge from yesterday's dividend, the money is not exactly burning a hole in its pocket.

The absence of local minorities and a lower average tax charge should enable ABF to report some improvement in earnings per share this year, despite a 15 per cent fall in pre-tax profits to about £125m. That figure, which depends on ABF's willingness to reflect fully wage and raw material costs in its flour and bread prices, would leave the shares on a prospective multiple of about 7 on actual tax at last night's price of 152p.

Greeks put budget plan to EEC

By John Wyles in Brussels

GREECE, as President of the EEC Council of Ministers, yesterday circulated confidential documents asking member-governments to set January 1 1986 as the date for raising the legal limit on the Community's budget revenues and for expanding its membership to include Spain and Portugal.

It seeks endorsement of a new legal limit on budget income of 1.8 per cent of value-added tax – that is, 1.8 per cent of annual turnover in member states of a common basket of goods and services.

The EEC Commission has proposed *increasing the limit* from 1 per cent to 1.4 per cent.

The documents are part of the presidency's bid for a breakthrough on EEC reforms during key talks starting in Athens tomorrow involving foreign, finance and agriculture ministers.

Without major progress by Saturday, the prospects for final agreements at the heads of government summit in the Greek capital early in December will be viewed as gloomy indeed.

The proposals, prepared by Mr Grigorias Varfis, the Greek Minister for EEC affairs, do not include a possible solution to the British budget problem.

Britain is still at loggerheads with its partners over the basic approach to any long-term deal and Mr Varfis wants to see how much progress can be made this week before working out a compromise.

Some Community officials believe the Greek proposals may be assuming more consensus that actually exists on the issues it addresses.

The attempt to secure a commitment to the simultaneous enlargement of the EEC and a higher new legal limit on its budget revenues by the beginning of 1986 will be seen by many member-governments as premature.

Most of the Greek proposals deal with Common Agricultural Policy (CAP) reforms, and with the need for the Athens summit to deliver precise guidelines on new policies.

The compromise on the dairy sector would not be as tough as the Commission's approach to curbing output. It would fix a higher production quota than the Commission proposed, together with a special deal for Ireland.

In an accurate reading of majority opinion, the Greek paper has no truck with British and Dutch demands to put a legal straitjacket on CAP spending so that its annual growth is kept below the natural annual rise in the budget income.

Spanish steel, Page 2

Arbed Saarstahl workers get deadline for cuts agreement

BY JAMES BUCHAN IN BONN

THE BONN and Saarland governments yesterday gave workers at the Arbed Saarstahl steel concern until noon today to accept financial sacrifices or see their company go into bankruptcy.

"There is no room for manoeuvre. It is high noon," said an Economics Ministry official after representatives of the Arbed Saarstahl workforce yesterday again rejected demands that laid-off workers take a cut in redundancy as a condition for public aid to the company.

A glimmer of hope however, appeared for the concern when representatives of the 17,200 workers agreed to submit to binding arbitration procedure, with equal participation of management and labour and an independent member. "It seems that they are looking for a way of saving face," one industry observer said in Saarbrücken.

The Bonn Cabinet meets today to decide whether to put up its half of a DM 86m ($32m) injection of funds to allow the concern, which is owned by Arbed of Luxembourg, to pay its next round of bills on Thursday.

The two governments have made this and further aid contingent on the workforce agreeing that the 5,000 workers retired early take only 82 per cent instead of 90 per cent of their redundancy. The creditor banks, who have offered debt relief equivalent to DM 425m over the next five years, have made the same condition.

An earlier demand for a pay freeze is no longer being set as a condition, an official said.

As meetings of the arbitration committee continued into the night, Herr Werner Zeyer, prime minister of the Saarland, pronounced himself "very optimistic" that agreement could be reached before the noon deadline.

Receivers at IBH offshoots

By Ian Rodger in London

THE DISINTEGRATION of the West German IBH construction equipment manufacturing group gathered pace yesterday as receivers were called in at the group's two British subsidiaries, Hymac in South Wales and Terex in Scotland.

On Friday in West Germany, IBH Holdings applied for court protection from its creditors; at the weekend, the group's large U.S. Terex subsidiary applied for protection under Chapter 11 of the U.S. Bankruptcy Code.

Only the group's Brazilian and French subsidiaries continue to operate normally. M Patrick Massardy, director-general of IBH France, said that the company had been discussing with the French Government for a year the restructuring of its activities and withdrawal from the IBH group.

Mr Carlos Goes, sales manager of Terex do Brasil, said the company had a strong order book and was operating profitably.

"We have been in contact with our suppliers and banks, but we feel that our situation does not require that kind of action (protection from creditors)."

Herr Horst-Dieter Esch, founder and chairman of the IBH group, said at the weekend that he was putting together a restructuring plan that would call for the disposal of the French and Brazilian companies, and the transfer of Hymac's excavator manufacturing activity either to Terex in Scotland, or to Hanomag, an IBH subsidiary in Germany.

Under German and U.S. bankruptcy laws, he will be given time to prepare his proposal.

Poclain not interested in IBH, Page 18

Michelin still in the red after improved first-half results

BY DAVID MARSH IN PARIS

MICHELIN of France, the second largest international tyre maker, which made large-scale workforce cuts after record losses of FFr 4bn ($493m) last year, said last night that its results improved in the first half, although it will still be in the red for 1983.

In an interim statement the group said its operating results showed a clear improvement, with cash flow turning "slightly positive" as of June 30, compared with the negative cash flow in 1982.

Group turnover, including nearly all of Michelin's consolidated activities, rose 8.3 per cent to FFr 19.2bn during the first half, compared with the same period in 1982.

Financial charges showed a significant drop, amounting to 7.6 per cent of turnover on June 30, compared with 9.1 per cent in June last year.

The interim statement gave only sparse details, but it is still unusual considering Michelin's normally extreme financial discretion. The statement gave no indication of the net results in the first half. However, a spokesman said that the net result for the whole year, while likely to be significantly down from last year, will still be a loss as the group does not expect to return to equilibrium before 1984-85.

At the end of last year, Michelin's performance had improved compared with the highly depressed first half of 1982. Michelin said that this trend continued in the first half of this year, as the first effects worked through of the restructuring measures announced at the turn of 1982-83. These centred on a redundancy programme involving 9,500 workers in France, Britain and Italy.

The 1982 losses – the largest ever made by a French company outside the steel sector – resulted in Michelin passing its dividend payment last year for the first time in more than 30 years.

The company has also announced that its main French operating subsidiary, Manufacture Française des Pneumatiques Michelin, will shortly raise its capital to FFr 1.47bn from FFr 1bn to help to wipe out past losses.

Pirelli efforts to rescue Dunlop, Page 18

Brazil package set to go ahead

Continued from Page 1

The fact that Brazil is likely to qualify for renewed IMF assistance should help boost subscriptions to the $6.5bn loan being raised by commercial bank creditors as their contribution to the $11bn rescue package.

Banks have been reluctant to put up funds for this loan because of the uncertainty over the future of Brazil's IMF programme.

Some central bankers yesterday still doubted whether all 830 creditor banks would subscribe to the loan by this Friday's deadline.

The general feeling, however, is that there is likely to be sufficient number to allow the IMF package to go ahead.

Bank rescue cheap at the price

Continued from Page 1

the most active of private banks (with a balance sheet total last year of DM 2.2bn) but second to none in its tradition and prestige. The Schröder, Münchmeyer and Hengst banking families were highly respected long before they got together in the late 1960s to form a single enterprise.

Herr Friedrich Hengst, who died last summer aged 90, was seen as the "grand old man" of German private banking. Count Ferdinand von Galen, senior partner at SMH, married into the Hengst family and was president of the Frankfurt stock exchange until his abrupt resignation last week. Among the noted public figures who are members of the Münchmeyer family is Frau Birgit Breuel, economics minister of the state of Lower Saxony.

With so solid a background, the public astonishment at news of the bank's plight has been all the greater. There had been some private suggestions that SMH might have been overlending, not least to the IBH group in which the bank has a 7.5 per cent stake. But authorities involved in the rescue operation say they were amazed when the full extent of the bank's exposure emerged.

While figures have not been made public officially, SMH's lending to IBH and its subsidiaries is put at more than DM 800m – compared with the bank's own capital of DM 110m. The collateral originally put up by IBH turned out to be too little to cover the gap, and the banks had to step in with their rescue operation.

There is one ironic element in the tale. West German banks have often been chided on grounds that, although they are heavily involved with traditional industrial customers, they do too little to support bright young entrepreneurs with ideas but little cash. Now the charge is that a bank has gone too far the other way.

It is an open secret that Herr Esch, now aged 40, canvassed a number of big West German banks fruitlessly for years, but got nowhere. Bluntly, he was thought too much of a "whizz kid" and his talk about building one of the world's biggest construction machinery groups (which he did) was felt highly suspect. At last he seemed to strike gold in 1980 when he took over the faltering Wibau company from SMH and simultaneously won the bank as a shareholder in IBH.

There are still those who argue that the SMH–IBH relationship could have paid off handsomely – had not Herr Esch's expansion strategy been foiled by the worst recession of the post-war period. But it seems that the bank became so deeply involved that it could not easily cut back its commitments, even when a strong economic upturn, and hence a boost to building machinery sales, failed to emerge.

One possible effect of the debacle may thus be to make the banks even more cautious in their lending to entrepreneurs than they already are. One certain effect will be to give a new impetus to demands for speedy legislation forcing banks to consolidate the business of their Luxembourg subsidiaries in their accounts.

By channelling part of its lending to IBH via its Luxembourg offshoot, which is not open to scrutiny by West German authorities, SMH could boost its credit well beyond limits allowed under German law.

There is a clear element of "we told you so" about the Bundesbank's reaction to the SMH affair. The 1976 amendment to banking law tightened a lot of things at home, but it did not force the banks to consolidate the results of their "offshore" subsidiaries. Time and again the Bundesbank has since demanded that the legal loophole be closed, warning that subsidiaries can run lending risks which, de facto if not de jure, will eventually accrue to the German parent. There is, in fact, an agreement among European central banks to tighten up on consolidation.

Successive Bonn finance ministers have failed to move on the issue. Now the present incumbent, Dr Gerhard Stoltenberg, has drafted legislation which, especially in view of the SMH problem, may go through cabinet by the end of the year.

When it might finally become law, and its provisions begin to bite, is quite another matter since the banks are lobbying for long periods gradually to adjust their capital-lending rates to the new rules.

The banks stress it could be calamitous to chop back lending suddenly, driving international customers into bankruptcy. It is not a bad argument – and one which SMH itself no doubt recognises only too well.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	14	57	Dubrovnik	C	7	45	Malaga	S	23	73	Salzburg	S	13	55
Akrotiri	S	21	70	Faro	F	21	70	Malta	R	20	68	Seoul	S	17	63
Algiers	F	23	73	Florence	-	—	—	Manila	S	32	90	Singapore	C	30	86
Amsterdam	S	13	55	Frankfurt	C	7	45	Miami	C	26	79	Stockholm	C	10	50
Athens	S	18	64	Funchal	F	22	72	Milan	S	13	55	Strasbourg	C	7	45
Bahrain	S	30	86	Geneva	C	7	45	Moscow	S	9	48	Sydney	S	26	79
Bangkok	S	32	90	Gibraltar	-	—	—	Munich	S	13	55	Taipei	S	27	81
Barcelona	C	15	59	Guernsey	S	13	55	Nairobi	C	25	77	Tangier	C	20	68
Beirut	F	23	73	Helsinki	C	7	45	Naples	F	19	66	Tehran	—	—	—
Belgrade	C	8	46	H. Kong	S	25	77	New Delhi	S	29	84	Tel Aviv	R	21	70
Berlin	S	7	45	Innsbruck	S	13	55	New York	S	11	52	Tenerife	S	25	77
Biarritz	F	19	66	Inverness	F	15	59	Nice	F	19	66	Tokyo	S	16	61
Blackpool	C	12	54	Istanbul	F	13	55	Oporto	C	17	63	Toronto	C	7	45
Bordeaux	S	20	68	Jersey	S	13	55	Oslo	S	9	48	Tunis	C	21	70
Brussels	S	15	59	Jo'burg	R	27	81	Paris	S	15	59	Valencia	F	19	66
Budapest	S	14	57	Las Palmas	S	24	75	Prague	C	6	43	Venice	S	14	57
B. Aires	C	24	75	Lima	S	21	70	Reykjavik	S	-1	30	Vienna	S	11	52
Cairo	S	27	81	Lisbon	C	19	66	Rio de J'o	S	34	93	Warsaw	Fg	7	45
Cape Town	S	21	70	Locarno	C	12	54	Rome	S	18	66	Zurich	C	7	45
Caracas	C	30	86	London	C	13	55								
Casablanca	C	23	73	Los Angeles	C	26	79								
Copenhagen	C	10	50	Luxembourg	Fg	5	41								
Corfu	S	21	70	Madrid	F	15	59								
Dublin	C	13	55	Majorca	F	22	72								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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FINANCIAL TIMES
Tuesday November 8 1983

Veba has high hopes for profits recovery

BY JOHN DAVIES IN FRANKFURT

VEBA, West Germany's biggest industrial concern, expects a profits recovery this year because of improvements in oil, chemicals and trading operations.

The group, in which the federal Government proposes to reduce its share stake, yesterday reported net profits of DM 224m ($84m) in the first nine months of this year, 16.6 per cent higher than in the same period last year.

The profits revival, after a sharp setback last year, occurred despite a 3.8 per cent drop in sales revenue to DM 35.6bn in the first nine months.

The company said this year's result would probably enable it to pay a maintained dividend of DM 7.50 per DM 50 share, as well as to strengthen financial reserves.

The Bonn Government announced last month that it would reduce its 43.75 per cent stake in Veba initially to 30 per cent and later to 25 per cent. This is to be the first step in fulfilling the Government's promise to put state holdings into private hands.

The Government hopes to raise about DM 780m through the share sale in January. The company's share price has been under some pressure since the announcement, trading yesterday at DM 165, compared with the year's high of DM 183.40.

Veba said yesterday it had considerably reduced its losses in crude oil refining after the disposal of half its stake in its Ruhr refinery complex to the Venezuelan state oil group, Petroleos de Venezuela. Taking account of other oil activities, Veba's oil division broke even during the third quarter of this year.

In chemicals, increased sales and structural changes have led to improved results, although price competition has hit the fertiliser business.

Results are also better in Veba's trading, transport and services division, while electricity generation produced stable earnings.

Veba confirmed that it was planning to launch bonds with warrants on the Eurodollar market, but the volume and timing had not yet been decided.

Shareholders earlier this year approved such capital raising up to the equivalent of DM 500m.

Sime Darby board comes under fire over land sales

BY WONG SULONG IN KUALA LUMPUR

DIRECTORS of Sime Darby, the Malaysian plantation-based conglomerate, have been fiercely criticised by minority shareholders for selling off large acreages of plantation land with development potential.

Shareholders at the company's annual meeting on Sunday said Sime could have done far better if the land were converted and developed by its own property division.

Last year, the group sold 901 hectares of its Damansara Estate to the Heavy Industries Corporation of Malaysia for 89m ringgit (US$38m), 144 hectares of Seafield Estate to the Employees Provident Fund for 22.8m ringgit, and Sabai and Bukit Dindings estates to Industrial Oxygen for 36.5m ringgit.

The Damansara and Seafield estates, just outside Kuala Lumpur, are to be the site of the Malaysian Government's car industry project, and a new township is also planned at Seafield.

Tun Tan Siew Sin, Sime's chairman, said: "It's not easy for Sime to turn down proposals from government statutory bodies," indicating that the company's major shareholders are also semi-government agencies.

It is understood that plans are advanced for Sime to develop the other half of Damansara Estate, which it still owns, into a township in partnership with two major property developers.

To questions regarding the issue of 61.7m new shares at 2 ringgit each to Bumiputra (indigenous Malay) financial institutions in January, Tun Tan said this was to maintain the level of Malay ownership in line with the new economic policy and to reduce group borrowings.

The institutions are not allowed to sell their holdings for some time so as not to depress Sime shares, currently traded at above 2.6 ringgit.

Sime's paid-up capital is now 391.1m ringgit, comprising 783.3m shares of 50 cents each.

Tun Tan also defended the board for the poor profit performance, down 47 per cent to 111m ringgit pre-tax, in the last year, saying there was little anyone could do during a global economic downturn. Prospects for the current year are much brighter, he added.

Sumitomo suffers 24.5% fall

BY YOKO SHIBATA IN TOKYO

SUMITOMO Electric Industries, Japan's largest manufacturer of electric wires, cables and optical fibres, suffered a 24.5 per cent setback in pre-tax profits to Y6.13bn ($25.9) in the half-year to September on sales of Y212.54bn, against Y207.59bn. The downturn is attributed to slack sales of communication cables to electric power companies and Nippon Telegraph and Telephone (NTT).

Sales of optical fibres in the six months totalled Y7.5bn, compared with Y7bn for all of 1982-83, and sales of electric wires to VCR, car and office automation equipment manufacturers also fared well.

The impact of slower cable sales together with higher labour and depreciation costs reduced profits, but the company says earnings are recovering and points out that pre-tax profits, compared with those in the second half of 1982-83 show a 13 per cent increase.

The company expects an improvement in orders for communication cables in the current half and better demand from car and home electric appliance manufacturers and the electric power industry. Full-year sales of optical fibres are expected to increase 2.6-fold to Y18bn.

Total sales are expected to advance by 3 per cent to Y430bn; pre-tax profits are projected at Y14.5bn, up by 7 per cent, and net profits at Y8.5bn, unchanged from 1982-83. The company is paying an unchanged interim dividend of Y2.5 per share and will maintain the total at Y6.

Increase in net earnings for Esanda

By Lachlan Drummond in Sydney

ESANDA, the main finance subsidiary of the Australia and New Zealand Banking Group, increased net earnings by 3 per cent from A$37.91m to A$38.96m (U.S.$35.5m) in the year to September 30, despite a sharp rise in bad and doubtful debt charges and a decline in profits in the closing half-year.

Final-half profits came to A$17.9m, compared with A$19m previously in the face of declining demand, while bad and doubtful debt charges jumped from A$7.3m to A$21.5m under the effects of recession. The rate of debt charges, however, declined to A$8.5m in the final half-year.

The group's gross income increased by 6.7 per cent to A$423m for the year, with total expenses up by 8.35 per cent to A$351m, including a 2.4 per cent increase in interest charges to A$262m.

The modest growth in interest charges reflected the decline in total borrowings from A$1.91bn to A$1.78bn over the year, and directors said yesterday the downward movement in interest rates on recent borrowings should feed through in the current year.

The level of new business written in the 12 months declined by 10 per cent to leave total net outstanding at year-end at A$2.09bn, down by 4.6 per cent from A$2.19bn.

The company expects it will be some time before a consistently increased level of demand for finance is established, and that earning margins will be under increasing pressure from competition.

● Email, the Australian white goods group, saw its cost-cutting efforts rewarded in the six months to September 30 with net earnings advancing by 12 per cent to A$376m despite a 4.8 per cent decline in turnover to A$179m.

The profit also compares with the A$2.4m earned in the closing six months of 1982-83.

Steel losses setback for Barlow Rand

BY JIM JONES IN JOHANNESBURG

BARLOW Rand, the South African industrial and mining group, suffered a substantial increase in the losses incurred by its stainless steel division, which played a large part in narrowing overall margins in the year ended September 30.

Sales increased by 20.7 per cent to R7.8bn ($6.7bn) from R6.46bn while operating profits before interest and tax rose by only 5.5 per cent to R776.3 from R735.6m.

Mr Mike Rosholt, chairman, says that stainless steel start up costs were aggravated by market recessions at home and abroad. As a result, the stainless steel and ferro alloys division suffered an operating loss of R20m, against R3.7m a year earlier.

Mr Rosholt said the ferro alloys operations themselves remained profitable, despite a global industry trend of significant losses. This though was insufficient to offset the greater losses in stainless steel manufacturing. Difficult trading conditions are expected to persist for 18 months.

Despite the problems of stainless steel manufacture the group as a whole improved its profit performance in the second half of the financial year. This was due, Mr Rosholt said, to effective control of expenses and management of assets. With the exception of the stainless steel division, the group as a whole is expected to benefit strongly when the South African economy recovers in the second half of 1984.

An unchanged total dividend of 70 cents has been declared.

Plessey lifts stake in Scientific-Atlanta

BY PAUL TAYLOR IN NEW YORK

PLESSEY, the UK telecommunications and defence electronics group, has lifted its stake in Scientific-Atlanta, the U.S. cable television and satellite equipment company.

The move marks a further extension of Plessey's North American interests. Last year the group paid $50m to acquire Stromberg-Carlson, the U.S. telecommunications equipment manufacturer, from General Dynamics.

In January, Plessey announced that it planned to acquire 3m shares, or a 13 per cent stake in Scientific-Atlanta.

Under the terms of an agreement with Scientific-Atlanta – which included the setting-up of a joint venture to compete in the emerging European cable and satellite communications market – Plessey also agreed not to increase its stake to more than 30 per cent over an 18-month period.

As part of that agreement Plessey obtained an option to purchase 4.3m Scientific-Atlanta unissued common shares for $26.50 a share. That option has yet to be exercised.

The latest share purchase, made in the open market, was disclosed in Securities and Exchange Commission filing. Plessey said it had bought 253,900 shares between September 19 and October 26 at prices between $14.75 and $17.50 a share.

Together with an initial purchase of 258,300 shares made earlier this year, the latest purchase lifts Plessey's stake in Scientific-Atlanta to 512,200 shares, or about a 2.2 per cent. However, if taken together with the option, the Plessey group now controls the equivalent of a 19.979 per cent stake in the company.

MCA falls 38% in third quarter

By Terry Dodsworth in New York

MCA, the U.S. records and films group which owns Universal Pictures, reported a 38 per cent fall in net earnings for the third quarter from $74m to $46.1m, or 95 cents a share.

The company blamed the profits fall on a mixture of lower earnings from the films division, which was boosted last year by the outstanding success of the film ET, and losses in the records and music publishing division. The latter has also made an operating loss for the first nine months, thanks mainly to a third-quarter write-down on inventories to currently estimated net realisable values.

Over the first nine months, net profits amounted to $123.3m, or $2.54 a share, against $136.9m in the corresponding period of last year.

Sales also reflected the downturn in films, falling in the third quarter from $469m to $407m, although for the nine-month period they were up from $1.15bn to $1.19bn.

Black and Decker back in surplus

By William Hall in New York

BLACK AND DECKER, of the U.S., the world's biggest manufacturer of power hand tools, has reported a turnround to profitability following a major restructuring of its operations. Net income for the year to September 25 totalled $44.2m, compared with a loss of $76.6m in its previous fiscal year.

Mr Laurence Farley, the group's chief executive, says the company's results are improving "particularly in our North American, German and UK operations." He notes that the company's financial health has been "significantly improved" by a $85m equity offering during the last quarter.

In its final three months, Black and Decker's continuing operations earned $16m compared with a loss of $8m last year. For the full year, earnings per share total $1.02 compared with a loss per share of $1.82 last year. Sales in the fourth quarter rose 11 per cent to $278m but for the full year they were virtually unchanged at $1.17bn.

The group reports volume growth of 16 per cent in its final quarter and price increases of 2 per cent, but these were reduced by negative effects of foreign currency movements.

Loews income at $70m in third quarter

By Our Financial Staff

LOEWS CORPORATION, the diversified U.S. insurance, cigarettes and hotels group, yesterday reported third-quarter operating net profits up from $61.4m, or $5.18 a share, to $69.9m, or $6.33.

Realised investment losses of $10.2m made the final net in the latest quarter $59.7m, or $5.41. This compares with $46m, or $3.88 a share, in the 1982 quarter, which includes investment losses of $15.4m.

For the first nine months, operating net profits rose to $231.8m, or $20.75 a share, from $155.7m, or $12.81. Revenues rose from $3.58bn to $3.99bn, with a contribution of $1.29bn ($1.21bn) in the latest quarter.

Investment losses of $34.3m made the final net income $197.4m, or $17.68 a share, against $141.9m, or $11.68, in the 1982 period, when investment losses were $13.7m.

Canadian rail group ahead

By Robert Gibbens in Montreal

THE federally-owned Canadian National Railway (CN) benefited from a more active economy in the first nine months of this year and reported operating net profit of C$79m (US$64m) compared with a loss of C$45m a year earlier.

Third quarter earnings were C$47.8m, against a loss of C$9.2m. After a C$73m tax credit, final net income for the nine months was C$152.8m.

TRUCK-MAKER'S FORMULA FOR WEATHERING THE ECONOMIC STORM

Flexibility is key for Paccar

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

"WE DON'T want to be the biggest truck producers in the world. We've been profitable in the good times, we've been profitable in the bad times and we aim to stay that way," says Mr Charles "Chuck" Pigott, president of Paccar, builders of Kenworth and Peterbilt trucks in the U.S. and Foden vehicles in Britain.

Since 1979, as demand for heavy trucks in the U.S. slumped by 56 per cent, sending some of Paccar's rivals to the brink of bankruptcy – and in the case of White Trucks, over the edge – Paccar remained firmly in the black.

Not that it remained unscathed: its pre-tax income dropped substantially, from $117.8m in 1980 to $45.4m last year.

The secret of Paccar's survival, according to Mr Pigott, is that "we had the ability to react more quickly than the others when the demand cycle changed for the worse."

He also points out that some of the U.S. companies which ran into difficulties – Mack, Freightliner, White, International Harvester – either had other substantial interests or were owned by groups with major businesses outside truck-making.

But 80 per cent of Paccar's income comes from trucks. Last year they accounted for $1.08bn of the $1.23bn total sales ($1.49bn out of $1.73bn in 1981).

Income before tax contributed by trucks last year was $37m ($95m in 1981) from a group total of $45m ($115m).

Mr Pigott recalls that Paccar cut overheads sharply as the recession bit deeply in the U.S. In 1979, the workforce worldwide was 14,000. By the beginning of 1983 it was down to 6,500.

The company shut its Kenworth plant at Vancouver, Canada, which needed investment to bring it up-to-date and where there had been some labour problems. At the peak, 500 were employed at the Vancouver plant, but Paccar now believes that it can supply the Canadian market by using exports from the U.S. to supplement production at its Montreal facility.

Minimal borrowings helped to protect Paccar from the high interest rates in the past three years, and it used its strong balance sheet (the 1982 year-end ratio of current assets to current liabilities was 2.61, compared with 2.45 in 1981) to widen the activities of its finance subsidiary. The move into such fields as insurance and leasing not only helped Paccar's profitability but supported its 200 U.S. dealers during the recession.

Mr Pigott says that the truck business is picking up in most of the territories in which Paccar operates. Only Mexico, where Kenworth trucks are built by a 49 per cent-owned associate, Vilpac, as yet shows no signs of an upturn and will not do so until next year.

Paccar expects sales of Class 8 trucks (over 33,000lbs – the sector in which it competes) to reach about 83,000 this year, against 73,000 in 1982. In the first half of this year the annual rate of demand was only 80,000 compared with the 1979 peak of 179,000 Class 8 trucks.

Mr Pigott claims that Paccar has nearly 19 per cent of Class 8 truck sales and is therefore in the U.S. sales league behind International Harvester. However, Mack might contest that claim.

Registration statistics for 1982 showed 7,344 Kenworth trucks sold (10,379 in 1981) and 5,781 Peterbilt trucks (6,654), compared with IH's total of 16,972 (22,539) and Mack's 12,879 (17,776) in Class 8.

Faced with uncertain prospects in the first part of this year, Paccar intended to cut capital expenditure from $23m last year to $9m. But the improved outlook has enabled the company to put back into the programme those items which were to be axed, and the 1983 expenditure will now again be about $23m – another example of the company's flexible approach.

Mr Pigott suggests that U.S. heavy truck demand will not get back to the 1979 levels again in the 1980s and that there will also be sharp variations in the demand cycle in the U.S.. So Paccar is actively looking for further manufacturing investment outside the U.S. – it is already present in Australia and the UK, as well as Mexico and Canada.

The Middle East and Africa are the preferred areas; existing competition is too tough in continental Europe, which is the biggest heavy truck market outside the U.S. for Paccar to contemplate manufacture there.

Mr Pigott and the rest of the Paccar directors are in Britain as part of a tour of the company's facilities outside the U.S.

Today they will visit the Foden plant at Sandbach, Cheshire, which Paccar acquired at the end of 1980 along with other assets of the old Foden company after its financial collapse.

Paccar paid £18.3m ($27.2m) for the Foden assets and Mr Pigott, while not being unreservedly enthusiastic about the purchase, says cautiously that Foden has a "promising" future.

In particular, the new lighter weight trucks that Foden has developed have considerable export potential for the Middle East and Africa, he believes.

U.S. and British engineers worked together on the new Foden range, called the S10, and Paccar might use the suspension system they developed in the U.S. as well as in Britain.

Foden was profitable last year – although Mr Pigott will not reveal how much it made – and Paccar believes the company can remain profitable while gradually building up output from the current 1,000 a year to double that number.

Court action drops curtain on Carrian

BY ROBERT COTTRELL IN HONG KONG

A HONG KONG high court judge yesterday ordered the winding-up of the main companies in the property group Carrian. Carrian, together with companies controlled by its chairman, Mr George Tan, has debts estimated at US $1.2bn, and is Hong Kong's largest bankruptcy.

The winding-up petition against Carrian Investments, the group's main publicly quoted vehicle, was brought by Bankers Trust in respect of a debt specified at HK$90m (US $11.5m). Shares of Carrian Investments have been suspended on local stock exchanges since January.

Carrian Holdings, the unquoted parent company of Carrian Investments, was wound up on the petition of Bumiputra Malaysia Finance, Hong Kong subsidiary of Bank Bumiputra Malaysia, which claimed two outstanding debts of HK$145m and US$84m. Bank Bumiputra is thought to be the largest Carrian creditor, with loans of HK$4.6bn outstanding, but lawyers prosecuting Mr Tan on theft charges told a bail hearing last month that most of the bank's loans are to companies controlled privately by Mr Tan.

The winding-up orders mean the meteoric four-year life of the Carrian group has now come to a close, and its assets will be placed in the hands of liquidators who will try to realise the best possible return for creditors.

Provisional liquidators had already been appointed to Carrian Investments and Carrian Holdings four weeks ago, when the two banks issued their winding-up petitions and obtained preliminary court hearings. Yesterday was an opportunity for the court to hear of any reasons why the Carrian companies should not be wound up.

The hearings were brief and uncontested. The court confirmed the appointment of three partners in the accountancy firm of Arthur Young as liquidators of Carrian Investments. A liquidator has yet to be agreed, however, for Carrian Holdings.

Bumiputra Malaysia Finance had originally asked the high court to appoint partners of its own auditing firm, the accountants Touche, Ross, as provisional liquidators of Carrian Holdings. Following some dissatisfaction among certain other creditors, partners of another accountancy firm, Ernst and Whinney, were appointed joint provisional liquidators.

At yesterday's court hearing Hong Kong's official receiver was designated provisional liquidator of Carrian Holdings, and the two accountancy firms' partners were designated special managers. Creditors are expected to meet in about two weeks' time to seek agreement on whom they would like to see confirmed as liquidator.

Hong Kong's official receiver has already sold off the long-term Hong Kong business of China Underwriters Life and General Insurance Company, a subsidiary of Carrian Investments. The official receiver was appointed provisional liquidator of the company under a separate petition. The buyer of the China Underwriters business was Sentry Insurance, the U.S. mutual insurance company, which made a down payment of HK$8.5m and will make a further payment based on the level of premiums it receives through its acquisition.

INTERNATIONAL COMPANY NEWS

Statsforetag in profit at eight months

By David Brown in Stockholm

STATSFORETAG, the Swedish state-owned holding group now emerging from an extensive restructuring, has reported a profit after net financial costs of SKr 235m ($29.9m) for the eight months to end-August, compared with a loss of SKr 145m at the same time last year. Excluding units sold to the Swedish Government late last year sales were 10.5 per cent higher at SKr 7bn.

The group predicts its year-end profit after net financial costs but excluding expected extraordinary gains will be about SKr 400m.

The eight-month operating result after depreciation more than doubled to SKr 404m and net interest costs declined by SKr 107m to SKr 136m. This was attributed almost entirely to interest on the SKr 2.4bn received from the Government on the sale of two loss-making companies, ASSI (pulp and paper) and LKAB (mining).

Exchange losses were halved to SKr 35m and pre-tax profits climbed to SKr 368m after extraordinary items of SKr 133m. About one-third of this was related to previous government aid.

The sale of ASSI and LKAB removed two of the groups' biggest headaches, but several trouble spots remain. These include the SMT machinery group, Kockums Industri, a forest equipment company, and Eiser textiles.

Improvements were noted in the petrochemicals units Beroxo and Berol Kemi, but in the case of the latter this stemmed largely from loan write-offs and the write-down of fixed assets. Kabivitrium, the biomedical unit, reported a four-fold gain in earnings to SKr 120m.

The bulk of Statsforetag profits, *SKr 343m, was* generated by the state tobacco monopoly within the Procordia unit.

Ballast Nedam warns of drop in 1983 net

By Our Financial Staff

BALLAST NEDAM, the Amsterdam-based construction and dredging group, has warned of a drop in profits for 1983 to Fl 16m ($5.35m) from last year's Fl 29m, on turnover which is expected to decline to Fl 2bn from Fl 2.6bn.

In a statement yesterday, the group blamed the slowdown in work that has hit its overseas subsidiaries, and which has caused a corresponding slowdown in activities in the Netherlands too.

The company says its forecasts for 1983 are based on "the realistic assumption that important new contracts will be acquired in the near future." Without counting in these prospective new orders, it says, the outlook for the year would be significantly worse.

The company's statement also referred to the need to "adapt the size of parts of the organisation"—an apparent allusion to the need for possible job cuts since it added that consultations would take place with works council representing employees.

Ballast Nedam said that this prospect had arisen despite several positive developments, including the return of the dredging division to profitability for the first time in several years, leading management to believe that a recovery is likely in sales and profits next year.

● Reuter adds from Mannheim—Bilfinger und Berger Bau is seeking new financing for the foreign currency portion of a highway construction project *in Iraq because of the Iran-Iraq* war.

Bilfinger earlier said profits this year will be satisfactory, reporting that in the first nine months construction work completed was 22.4 per cent down at DM 2.6bn with the overseas element down by 33 per cent to DM 1.72bn.

Poclain will not take over French IBH units

BY DAVID MARSH IN PARIS

POCLAIN, the leading French construction equipment manufacturer, yesterday declared that it had no interest in taking over any of the French subsidiaries of IBH, the German building machinery company, which last Friday filed for court protection from its creditors.

The affirmed intention of Herr Horst Diete-Esch, the founder and chairman of IBH, to shed the company's French plants as part of a sweeping restructuring plan is likely to cause still more difficulties for *the French Government.*

For well over a year the Industry and Finance Ministries have been struggling to shore up financially a number of construction equipment makers and other companies in the earth-moving business hit by over-capacity, drastic Japanese competition, and shrinking demand.

The Government has not yet reacted to the IBH announcement, but it would be logical for officials to try initially to find partners for the subsidiaries among the rest of the country's equipment makers.

Poclaim itself, which has undergone large workforce cuts over the past two years, is still *losing money heavily. Its deficit* this year is likely to be at least FFr 160m ($19.6m), against FFr 283m last year.

The country's second largest equipment manufacturer, Richier, had to be rescued in a government-inspired package earlier this year, and is still a long way from recovery. The generally depressed climate was underlined by the bankruptcy last month of Albaret, a leading specialist earth-moving company, which found it was unable to shed staff fast enough to compensate for the recession.

Against this gloomy background, Poclain said yesterday that any question of absorption *of the IBH plants would not fit* in with its strategy of pruning back its business and concentrating on key product lines.

Office automation boom lifts Sharp profits in first half

BY YOKO SHIBATA IN TOKYO

SHARP, one of Japan's leading electrical appliance manufacturers, had a 13.7 per cent rise in its unconsolidated pre-tax profits to Y25.12bn ($107m) in the half-year to September 30.

The upsurge in earnings arose from strong sales of office automation equipment, especially word processors and personal computers. Net profits were 13.4 per cent higher at Y14.28bn, against Y12.59bn, on sales of Y367bn which were 15.6 per cent ahead of the Y317bn for the previous year.

Net profits per share were Y20.33, against Y18.37 previously, and the interim dividend has been increased from Y4.5 to Y5.

During the half-year, Sharp's sales of electronic equipment rose by 24.6 per cent to account for 33 per cent of the turnover. Vigorous sales of video cassette recorders, up by 40 per cent in value, helped boost this division.

*The company's mainstay, its in*dustrial equipment and electronics components division, also saw a good increase in sales. These rose by 16.5 per cent, to account for 34.8 per cent of the total, with good sales of personal computers and doubled sales of word processors.

Sales of domestic electrical appliances and solar heating systems rose by 10.1 per cent to account for 20 per cent of turnover.

Sharp's exports were up strongly by 18.6 per cent to 56.6 per cent of the total. Domestic sales rose by 11.8 per cent.

Higher earnings more than covered increased research and development and capital investment expenditures. The company's net financial income rose by 20 per cent to Y7.2bn, allowing for the Y500m costs of issuing of a Swiss franc *convertible bond during the half.*

In the current half-year, the growth in sales of VCRs and office automation equipment is expected to continue. Full-year sales are forecast to reach Y750bn, up by 16 per cent from the previous fiscal year. Pre-tax profits are projected at Y52bn, up by 14 per cent, and net profits at Y29bn, a rise of 10 per cent. The second-half dividend is forecast at Y5 for a Y10 total.

Tokyo – Mitsubishi Electric is to increase research and development spending to Y80bn in the year ending March 31, 1984, from 74bn ($340m) in 1982-83, according to company officials.

Sulzer headed for loss this year

BY JOHN WICKS IN ZURICH

SULZER BROTHERS, the Swiss-based engineering group, expects, this year, to record its first loss since 1935. In an interim report, the Winterthur-based concern says that both the parent company and the group as a whole will show a deficit for 1983.

Last year, group earnings had dropped by 6 per cent to SwFr 30m ($13.8m) despite a 9 per cent rise in consolidated sales to SwFr 4.42bn. The board decided to cut dividend from 10 to 8 per cent in respect of 1982 after parent-company net profits had fallen simultaneously by 17 per cent to SwFr 27.2m.

In the first nine months of 1983, group turnover is said to have dropped "substantially." The value of new orders received declined over the same period from SwFr 2.7bn to an "inadequate" SwFr 2.6bn though it is expected to reach last year's level of SwFr 3.7bn for the year as a whole.

The report says that business has suffered from weak demand for capital goods. Falling use of capacity in group factories has led to an increase in short-time working in Switzerland itself, which has been extended, increasingly, to clerical and service staff.

Orders are said to have been looking up in recent weeks, with a correspoonding improvement in employment prospects, though restructuring programmes are to continue.

In the major product sectors, diesel engines and weaving machinery were particularly affected by sluggish demand. In the marine diesel field, Sulzer has increased its world market share thanks to the success of the "RTA" line, though most new orders have been for Far Eastern licensees and not for the group's own plants which serve the important European market.

Meanwhile positive synergy effects are said to have resulted from the integration of the former Maschinenfabrik Rueti affiliate in the textile-machinery sector.

Denmark lifts restrictions on investing overseas

BY HILARY BARNES IN COPENHAGEN

DANES are to be given unrestricted rights, (for the first time since 1931), to buy shares in foreign companies. This will take effect from January 1 1984, according to Ib Stetter, the Industry Minister.

The measure will be one of the last steps in a gradual liberalisation of portfolio investment by foreigners in Denmark and by Danes abroad, over the past ten years.

One of the few restrictions left after January 1 will be that preventing Danes from investing in commodity and financial futures markets abroad, according to an Industry Ministry official.

Foreigners were permitted to invest in Danish shares and bonds again, in 1974. In 1978 Danes were allowed to invest in bonds issued by organisations of which Denmark is a member, such as the EEC institutions and the World Bank and, from May 1 this year, in all foreign bonds.

The new measures will bring Denmark into line with the EEC's capital markets directives.

It will also establish the conditions for a free Nordic market in share investments, *but this will require changes in* Norwegian, Swedish and Finnish capital movement restrictions before it can be realised.

In 1931 Danes with portfolios of foreign shares were allowed to retain them and to re-invest in other foreign shares, but all new investment in either shares or bonds was stopped.

Bourse chief to step down

PARIS—Yves Flornoy, president of the Paris Stockbrokers' Association, will not seek re-election when his term expires at the end of this year.

Commenting on his decision M Flornoy, who has headed the association for the last eight years, feels a new personality is needed to take charge of implementing reforms of the exchange.

It will take at least five years for the proposed Continuous Quotation System to be fully operational, he said. The system will allow investors to see what the market is doing through Videotex terminals in banks and stockbrokers' offices.

In regard to the bullishness of the Paris Bourse, where prices rose about 40 per cent in the first 10 months of this year, M Flornoy said the market's performance was "relatively modest" compared with some other exchanges. Reuter.

Pirelli eyes parts of Dunlop France

By Our Paris Staff

PIRELLI, the Italian tyre company, is the latest international rubber group to become embroiled in efforts to rescue the financially-stricken French subsidiary of Britain's Dunlop group from closure.

Adding to the long list of tyre companies — including Michelin, Goodyear, Firestone and Continental Gummi —already involved in the Dunlop saga, Pirelli is thought to have declared its interest in taking over some of the more profitable parts of the French subsidiary.

Worried by the prospect of heavy redundancies, the French Government is trying to find a buyer for Dunlop France, which is now operating under the supervision of court-appointed receivers after its decision to file for bankruptcy last month.

But both Michelin and Goodyear, two leading contenders favoured by the government and unions to take over at least part of Dunlop's activities, have firmly declared they are not interested.

More than 5,500 jobs in Dunlop's five French plants —as well as many thousands more in sub-contractors—are at risk as a result of the agreement in September for Sumitomo Rubber of Japan to buy Dunlop's British and German tyre and rubber interests but not the French company.

For the moment Dunlop is still operating at near-normal production levels. Staff have been assured that salaries will be paid at least until the end of the year. After that, the risks of lay-offs will increase unless a new industrial partner is found.

The Government, for the time being at least, is sticking to its line of aiming for an overall buyer for all Dunlop's activities, which include manufacture of tennis balls and other sports equipment, rubber wheels, matresses and tyres.

Indicating that Pirelli's interest would meet only a lukewarm response, Dunlop France said yesterday: "Nobody can stop people making propositions."

Emergency financing by Dunlop's main banks, led by Credit Lyonnais, the country's No. 2 commercial bank, is being organised by Ciri, the Government's interministerial committee to aid companies in difficulties. The Government is particularly keen to keep Dunlop France alive because only last year it helped arrange a large-scale financial rescue for the company involving support both from the banks and the parent Dunlop concern.

Officials feel that by cutting the French subsidiary *adrift from the rest of the* group, Dunlop's London management has not played its fair share in efforts to save the company.

SEC to vote on shelf issues rule

BY PAUL TAYLOR IN NEW YORK

THE U.S. Securities and Exchange Commission (SEC) is due to decide this week on whether to extend, abandon or change Rule 415—the so-called shelf registration rule—which allows corporations to sketch out future financing plans and then bring an issue to market at a moment's notice.

The controversial rule, originally introduced on a trial basis but subsequently extended expires at the end of this year.

On Thursday the SEC will hold a public open meeting at which the SEC commissioners are expected to voice their views and then vote on the issue. Before them will be an, as yet, undisclosed recommendation from the SEC staff which has been reviewing the workings of the rule.

The shelf registration procedure initially met fierce opposition from the Securities Industry Association and many of the leading Wall Street investment firms.

However that criticism has become somewhat more muted as the use of the procedure, under which companies can register proposed debt and equity issues with the SEC then bring them to market anytime within two years has settled down.

So far more than $85bn in debt issues have been filed under rule 415 together with about $10bn in equity issues. About half has been "taken-down off the shelf" and sold in the market to date.

In the first seven months this year 404 shelf registrations were made covering securities valued at $44.3bn, an average of $110m each or 30 per cent of total registered volume.

By contrast 55 shelf registrations were made during the first five months of the rule's operation covering about $8.88bn. Volume picked up with the start of the Bull market rally so that by the end of last year 277 registrations worth $51bn had been made and shelf registrations were accounting for about one out of every two new debt issues brought to market.

While the rule has, as its critics forsaw, led to a greater concentration of power in the hands of the highly capitalised big Wall Street firms—it has generally received a favourable reception from corporate treasurers.

Use of the system has also become somewhat more selective. While debt issues have always been a dominant feature, they have become even more so as corporate treasurers and Wall Street advisors have realised that a large "overhang" of equity issue "on the shelf" can act as a strong depressant for a company's share price. Thus the vast majority of shelf registrations remain debt issues.

In addition the relatively slow pace of the debt markets, especially since the start of the second quarter, compared to the second half of 1982, has tempered the flood of new debt issues which were launched into the market during "interest rate windows" and were a feature of the early stages of the 415 experiment.

The shelf rule has brought about some fundamental changes to the market. In particular it has enabled big firms like Salomon Brothers to corner more deals, but it has also led to thinner underwriting margins because of heightened competition among the market's major players. For corporations that has led to a welcome, and it is suggested, sizeable reduction in the expense of raising new funds.

The primary losers have been the smaller regional securities firms squeezed out of the syndication business often because the big firms, needing to move a new issue first to minimise risk, have sold directly to institutional buyers.

To broaden the participation of the smaller firms, several refinements to the existing shelf procedure have been suggested, including an enforced delay on equity issues which would enable underwriters to put together syndicates—as they do under normal registrations. At least one SEC commissioner, Barbara Thomas, an initial critic of the rule, has said she would support such a change.

UK COMPANY NEWS

A.B. Foods down by £3.9m at midterm

AFFECTED BY the sale earlier this year of its 52 per cent interest in the South African Premier Group pre-tax profits of Associated British Foods, the Twining, Sunblest and Fine Fare group, fell by £3.9m to £54.9m for the half year ended October 1 1983.

Profits from Premier, at £12.4m, were included for a three-month period and compare with £22.6m previously which covered six months. However, the proceeds from the sale boosted group investment income from £1.8m to £7.9m for the opening half.

Earnings rose from an adjusted 7.7p to 8.4p and the first interim dividend is being effectively increased from 1.3636p to 1.6p net per 5p share—not less than 1.5p was forecast last June.

First-half group turnover, excluding Premier, expanded from £1.17bn to £1.29bn and at the trading level there was a surplus of £37.6m, which maintained the high level achieved last year. After interest charges of £3m (£2.9m) group profits, excluding Premier, were marginally higher at £34.6m (£34.4m).

In his interim report Mr Garry Weston, group chairman, says that in the UK sales increased overall by 8 per cent with a 12 per cent increase being achieved by the retail division, offset by a reduction in turnover by the grain merchanting companies.

Profits in the UK, at £24.7m, compare with £23.9m and while increases were achieved by the retailing divisions, and there was some improvement in the profitability of the other manufacturing sectors, profits in the baking division were lower due to the incidence in the period of public holidays and continuing pressure on margins.

Mr Weston adds that although the major milling and baking divisions are unlikely to achieve increased earnings for the full year due to increased costs and heavy competition, group trading profits are traditionally higher in the second half.

The UK retailing divisions have made a satisfactory start to the year, and the chairman is "cautiously optimistic" about their results for the full year.

Sales of the group's overseas divisions increased by 15 per cent over the first six months but profits, at £9.9m were £0.6m lower.

Group tax for the half year took £16m (£19m) of which the overseas contribution was down from £12.7m to £9.4m. Below the line minorities accounted for £5.4m (£9.1m) to leave attributable profits at £33.5m (£30.7m) before extraordinary debits of £1.1m (£1.2m).

A.B. Foods ultimate holding company is Wittington Investments.

See Lex

Lucas slumps by £18m to £2.1m

A TURNROUND of £20.9m to losses of £17.2m in the automotive division has left Lucas Industries, vehicle and aircraft accessory manufacturer, with taxable profits sliding from £20.2m to £2.1m for the year ended July 31 1983.

A first-half deficit of £5.2m (£7m profit) was wiped out with a surplus of £7.3m in the second six months, but this was still well down on the £13.2m for the comparative period in 1982.

The dividend for the year is maintained, however, at 8.6 net per £1 share with a same-again final distribution of 6p. After tax of £12.3m (£14.2m) there were losses of 13.5p per share, against earnings of 4.1p.

Sales were unchanged at £1.22bn and with pre-tax profits were split as to: automotive £997.8m (£976m) and £17.2m loss (£3.7m profit); aerospace £255m (£270.6m) and £15.4m profit (£13.9m); industrial £111.2m (£113.2m) and £3.9m (£2.6m).

A geographical split of the same figures shows: UK companies £769.8m (£790.4m) and £17.6m loss (£3.4m); overseas subsidiaries £447m (£429.9m) and £20.5m profit (£20.4m); associate companies £147.2m (£139.5m) and £0.8m loss (£3.2m profit).

Commenting on the automotive sector—of the £17.2m loss, redundancy costs accounted for £14.2m—directors say that in the UK demand for original equipment did not pick up until the second half, and there has been little indication of a recovery in the aftermarket.

As a result, is was necessary to make further cuts in the group's UK manufacturing facilities and, after redundancy and closure costs, the UK loss amounted to £33.1m.

In Europe, however, the group's subsidiaries had a better year overall. Lucas CAV diesel fuel injection equipment businesses, in France and Spain, gained new business and both companies increased their profits substantially, directors state.

The Lucas Girling brakes company in Germany performed well with higher sales and profits, but the French business, while remaining profitable, suffered from the recession. The group's partnership company in that country, Ducellier, had another difficult year and was particularly badly hit by severe aftermarket sales reductions.

Carello, in Italy, made good progress with substantially higher sales and profits.

Outside Europe, although there were very good performances in some areas, the vehicle equipment subsidiaries had a disappointing year overall with profits falling 25 per cent to £9.7m. Results in the U.S. were particularly poor and reflected the collapse in the demand for diesel cars.

UK results in the aerospace division reflected the lower demand for equipment for both civil and military aircraft—particularly the rundown of the RB211 powered TriStar programme and the stretching out of the Tornado programme.

Subsidiaries in the U.S., Canada and Australia all performed well, however, and while the results of the German partnership, Pierburg, were greatly improved, there were lower profits from the French partnership company, Thomson-Lucas.

Share of losses of associates were £0.8m (£3.2m profits), interest took £24.6m (£27.5m) and the pre-tax figure was after redundancy and closure costs totalling £18m (£15.1m).

After minorities, £2.6m (£2.1m), and an extraordinary debit last time, £0.9m, the attributable figure was a £12.8m loss, against a £3m surplus. Dividends will absorb £8.2m (same).

Total net borrowings, at the year end, were down from £206m to £177.5m.

See Lex

HIGHLIGHTS

Having looked at the state of the equity market yesterday Lex moves on to consider the main City news of the day. **Citicorp** has reached agreement with stockbrokers **Vickers da Costa** to take a 29.9 per cent stake in the London firm for around £20m. Lex puts this latest move into the context of similar relationships struck in the Square Mile recently. On the corporate front **Associated British Foods** produced its half year report showing profits of £54.9m after selling its 52 per cent stake in **South African Premier Milling**. Elsewhere **Lucas Industries** saw its profits plunge yesterday from £20.2m to £2.1m for the full year. The dividend payment, however, is being maintained to the detriment of reserves.

Corning down halfway but optimistic

Despite lower pre-tax profits of £1.11m against £2.43m for the 28 weeks to June 19 1983, the directors of Corning expect the profit after tax for the year to show a significant improvement.

They expect profits for the year to be assisted by lower interest charges and exceptional items.

Sales of this glass manufacturer, which is ultimately held by Corning Glass Works of the U.S., fell from £33.5m to £25.24m.

There is no charge for tax, compared with £43,000

W. A. Tyzack

A £127,000 swing into the black in the second six months enabled W. A. Tyzack, manufacturer of precision engineering components, to reduce pre-tax losses by £54,000 to £13,000 for the full year to July 31 1983.

The group is returning to the dividend list with a first and final payment of 0.4p net—loss per 10p share for the year emerged at 0.34p (0.67p). Turnover declined from £5.35m to £5.04m.

Tax took £2,000 (added £35,000) and extraordinary debits accounted for £151,000 (£176,000).

Ladysmith Busywear

Ladysmith Busywear of East Street, Leeds, has no connection with a company of similar name reported as wound up in last Friday's edition.

Electrocomponents up 18.9%

AN INCREASE of 18.9 per cent in profits before tax from £8.33m to £9.9m has been shown by Electrocomponents for the six months to the end of September 1983. Sales of this distributor of electrical components expanded from £45.26m to £57.65m.

The net interim dividend has been lifted from 1p to 1.3p. In the last full year a total of 3p was paid from pre-tax profits of £17.44m.

Earnings per 10p share for the six months increased from 4p to 4.78p.

Commenting on the period under review, the directors say that figures show further growth in sales and profits. Marketing conditions affecting the U.S. subsidiary, Mesa Technology Corporation, continue to improve and a profitable full year is anticipated. There has been little improvement in Radionics, which continues to be influenced by the present Irish economic situation.

Group sales for the current half year to date show encouraging progress over 1982.

Pre-tax profits were struck after lower interest received of £455,000 against £765,000. There were higher exceptional debits of £523,000 (£212,000) which were related to the move of RS Components to Corby. Exceptional costs for the year are expected to total £745,000.

The charge for tax grew from £4.32m to £5.06m. After minorities, attributable profits moved up from £4.02m to £4.87m. Dividends will absorb £1.33m (£1.02m).

Comparative half-year figures have been adjusted to reflect a change in the treatment of goodwill.

● comment

It will be 1984-85 before Electrocomponents can really start counting up the cost savings of moving RS Components to Corby. Meantime the exceptional charges continue to climb. It would be surprising if the group got away with much less than £1m, this year against £1.2m, though this figure could be inflated if the directors decide to pull forward the final charges which could drag on to next spring. Thankfully the trading line is buoyant enough to take on the substantial upheaval without any damage. Volume growth at RS has been around 20 per cent with the help of new products and gross margins appear to have been more or less held steady. Pre-interest, the trading margin for the six months comes out marginally higher for the group as a whole at 17.3 per cent though the figures include a small loss from Mesa in the U.S. The American company should make a profit for the year and with confident sounding words from the directors, profits of £22m to £23m look likely for the year. At 235p, a fully-taxed p/e of 22.5 is not out of line within a highly rated sector.

AIDCOM seeks full listing

DESIGN, marketing research and microelectronics concern AIDCOM International, which is currently quoted on the USM, is to apply for a full listing on the Stock Exchange.

In the three years the company has been quoted, it has grown more than sixfold, both organically and by acquisition, and directors say that although the audit for the year ended October last has not yet taken place, "there is no doubt that the company has achieved a record year's trading."

Founder chairman Mr James Pilditch is stepping aside to become a non-executive director to undertake special projects. He will be succeeded by Mr Pratt Thompson, former chairman of BL International and a director of AIDCOM.

Schroder Wagg has been appointed as the company's merchant banker.

Tysons makes progress in first half

An increase of £112,146 to £663,735 in pre-tax profits is reported by Liverpool-based Tysons (Contractors), construction engineer, for the first six months of 1983. Turnover fell, however, from £13.1m to £9.62m.

First half tax rose from £10,000 to £14,000. Earnings per 10p share improved from 10.83p to 12.99p.

In the annual report, the directors said work was under way on remodelling and updating of facilities at Lime Street Station, Liverpool. The Liverpool Crown Courts contract was also said to be progressing well.

KCA Intnl. omits payout as profits drop by £3m

A NUMBER of factors have contributed to a downturn in pre-tax profits at KCA International, oil finance house, in the six months to June 30 1983.

The profits fell from £3.72m to £412,000, and the directors say the reduction has, in part, been caused by the inclusion in the 1982 half-year figures of an exceptional gain of £1.36m on the sale of the holding in Berkeley Exploration and Production.

Also, during the first six months, the pre-tax profits of KCA Drilling Group fell by £354,000. This, together with a trading loss of £435,000 for Berry Wiggins and a loss at KCA Minerals of £659,000, compounded the reduction in earnings. The latter figure is a part of the start-up expenses of the Barite operation in China.

No interim dividend is being paid—last time a payment of 2.75p net was made, but no final dividend was paid.

The directors say interest charges will be considerably reduced by the de-gearing that has taken place during the last month. These results do not, however, represent the new structure of the group, following the disposal of KCA Drilling, which was finalised on October 5 1983 nor do they reflect the acquisition of 7.96 per cent of Candecca Resources and the option to purchase another 21.94 per cent.

A circular detailing the acquisition of interest in Candecca Resources, and the proposed change of name to Bristol Oil and Mineral has been issued. An extraordinary general meeting will be held on November 30.

● comment

The New Bristol Oil will be a very different animal from the old KCA. Having disposed of the drilling interests (cleaning up the balance sheet in the process) and bought into Candecca, it is now primarily an exploration company with some inconsequential minerals and fluids businesses—developments which make the first-half figures totally unrepresentative of the future structure. Most important is that these changes turn what was once a high-flying income stock into a highly speculative one, with its prospects related directly to certain untapped geological secrets. All that can be said at this stage is that the company's acreage in the U.S., the Middle East, China and the UK has "potential"—one of those words more widely used in the vocabulary of the brave. At 44p the company is capitalised at £15.84m.

Applied Botanics

The rights issue by Applied Botanics (formerly the Sempang (Java) rubber plantations) has been taken up for 21,095,501 shares (96.33 per cent).

Shares not taken up have been sold at 15½p in the market, and net proceeds, after deduction of the issue price and expense of sale, will be remitted to provisional allottees.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
A.B. Foods ......1st int.	1.6	March 5	1.36*	—	4.27*
Bridport-Gundry	2.13	—	1.42	3.23	2.41
British Invst. ....int.	5.1	—	4.8	—	10.6
Cork Gas ....int.	¶nil	—	2.45	—	7
Electrocomponents int.	1.3	Dec. 31	1	—	3
Ferguson Ind. ....int	2.5	Jan 5	2.2	—	5.7
KCA Intnl ....int.	nil	—	2.75	—	2.75
Lucas Inds.	6	—	6	8.6	8.6
Munford & White ...int.	1	Jan. 6	nil	—	1
Town Centre	1	—	1	1	1
W. A. Tyzack	0.4	—	nil	0.4	nil
J. Waddington ......int.	7.5	Dec 31	nil	§—	0.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Total forecast of not less than 15. ¶ Irish pence throughout.

Bridport-Gundry surges to £1m

NETTING AND cordage maker Bridport-Gundry surged from pre-tax profits of £326,000 to £1m in the year to July 31 1983, after a £415,000 rise in second half profits to £705,000.

With earnings per 20p share given as 9.53p (1.13p) the year's dividend is being lifted from 2.41p to 3.23p net by a final of 2.13p (1.42p).

Turnover advanced from £16.84m to £20.18m and following sales costs of £15.42m (£12.78m), gross profits came to £4.76m (£4.07m).

The directors say the company is continuing to improve productivity and the technical quality of its products. Although growth in the European and American economies is slow and patchy they still feel that it can do better and obtain a more satisfactory return on resources.

During the year short-term borrowings, net of cash balances, went down by just over £700,000. The company sold most of the largely unused North Mills factory to English Industrial Estates for £265,000 making a book loss of £35,000 after expenses.

Taxable profits were struck after distribution costs of £2.09m (£2.03m), administration expenses of £1.51m (£1.39m) and interest payable of £328,000 (£397,000). Profits included related company profits of £19,000 (losses £8,000), other operating income of £106,000 (£46,000), income from fixed asset investments of £11,000 (£7,000) and interest receivable of £31,000 (£36,000).

Tax took £144,000 (£181,000), minorities came to £25,000 (£40,000) and there was an extraordinary debit of £35,000 (credit £10,000).

BOARD MEETINGS

TODAY

Interims—Allnatt London Properties, Ambrose Investment Trust, Anglo American Coal, Anglo American Corporation of South Africa, Asset Special Situation Trust, Cater Allen, De La Rue, Hartwells, King and Shaxson, F. H. Lloyd, New Throgmorton Trust (1983), Porter Chadburn, Rush and Tompkins, Usher-Walker, Whitbread, Yorklyde.

Finals—C. H. Beazer, London and Provincial Shop Centres, Yarrow.

FUTURE DATES

Interims—

Allied Irish Banks	Nov 18
Amber Industrial	Nov 10
British and Commonwealth Shipping	Nov 10
Caledonia Investments	Nov 10
Chamberlin and Hill	Nov 16
Hunting Gibson	Nov 11
Jerome (S.)	Nov 18
LRC International	Nov 17
Latham (James)	Dec 7
Meyer International	Dec 13
Parkland Textile	Nov 22
Rexmore	Nov 22
S and U Stores	Nov 10
Smallshaw (R.) (Knitwear) ...	Nov 18
Warehouse Group	Nov 28

Finals—

AE	Dec 15
Hickson International	Nov 18
Northern Foods	Dec 14
Somic	Nov 15

Kode forecasts shortfall

IN A surprise announcement late yesterday afternoon Kode International predicted that profits for the current year would be marginally down on the £1.37m achieved in 1982. This compares with outside forecasts of around £1.8m and £1.9m.

The statement says that the group's printed circuit board manufacturing subsidiary encountered "unexpected technical problems" in adapting its manufacturing process to meet changing requirements.

Last September when reporting half-time profits up from £612,184 to £802,116 the new chairman, Mr E. N. Randall had said that "we do not expect to achieve a similar rate of profits growth in the second half."

The shares rose 3p to 305p yesterday ahead of the announcement.

Over-the-Counter Market

1982-83 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord. ...	125	—	8.4	5.1	7.3	10.2
158	117	Ass. Brit. Ind. CULS...	133	—	10.0	7.5	—	—
77	57	Airsprung Group	77	+1	8.1	7.9	22.0	22.0
46	21	Armitage & Rhodes ...	28	—	—	—	—	—
242	98½	Bardon Hill	237	—	7.2	3.0	9.7	19.7
151	100	CCL 11pc Conv. Pref....	138	—	15.7	11.5	—	—
270	150	Cindico Group	150	—	17.6	11.7	—	—
88	45	Deborah Services	56	—	6.0	10.7	—	—
160	77	Frank Horsell	160	—	—	—	6.7	11.0
154	75½	Frank Horsell Pr Ord 87	154	—	8.7	5.7	6.5	10.6
83	46	Frederick Parker	46	—	7.1	15.4	2.9	4.6
55	32	George Blair	32	—	—	—	—	—
100	54	Ind. Precision Castings	54	—	7.3	13.5	15.0	18.6
205	100	Isis Conv. Pref.	205	—	17.1	8.3	—	—
114	47	Jackson Group	106	+1	4.5	4.2	5.5	10.9
237	111	James Burrough	208	+1	11.4	5.5	11.4	11.7
260	132	Robert Jenkins	132	—	20.0	15.1	15.3	10.3
83	54	Scruttons "A"	67	−1	5.7	8.5	11.1	8.1
167	84	Torday & Carlisle	84	—	2.9	3.5	—	—
29	18	Unilock Holdings	18	—	1.0	5.5	11.8	17.1
90	64	Walter Alexander	90	—	6.8	7.6	7.9	10.5
276	214	W. S. Yeates	256	—	17.1	6.7	3.9	8.1

MINING NEWS

BIDS AND DEALS

Western Mining's days of light and shade

BY KENNETH MARSTON, MINING EDITOR

NEWS that the Australian Labor Party has voted, albeit narrowly, for a package of proposals for the future of Australia's uranium industry leaves **Pancontinental Mining's** Jabiluka deposit in the cold but removes a major hurdle to the development of the Western Mining—British Petroleum 51 per cent-49 per cent partnership's potentially huge Olympic Dam mine at Roxby Downs in South Australia.

There are other hurdles still to be crossed, however. One of them could be arranging the financing required for this project, which could cost something in the region of A$1.7bn (£1bn), while another will be securing acceptable uranium oxide supply contacts in a market already over-supplied with the material.

Then, too, there has to be considered the uncertain outlook for the by-product copper. But the accompanying gold and silver will be easily saleable.

However, with the project construction phase alone likely to *take some four years, Olympic* Dam seems unlikely to reach production until about 1990 and much could happen in the commodity markets before then.

So it has to be good news that Western Mining can look forward with a greater degree of assurance that one day it will be the controlling owner of one of the world's greatest mines. In the meantime, the company is living on its nickel and gold operations.

At last week's annual meeting in Perth Sir Arvi Parbo, the chairman, expected a "somewhat better" net profit for the first half of the year to next June than the A$7.36m (£4.52m) earned in the second half of 1982-83.

He added, however, that the expected result would still be far short of an adequate return on shareholders' funds of A$650m. "Achievement of adequate profitability in the near future depends on the nickel price returning to more reasonable levels as well as trends in Australian costs and the exchange rate," he said.

The company's nickel operations ran at a loss for part of 1982-83 despite a favourable gain of 16 per cent in the Australian-*U.S. dollar exchange rate.* Since then there has been a mild recovery and the nickel operations are no longer making a loss.

Sir Arvi diclosed that it is expected to begin initial gold production at an annual rate of 20,000 to 30,000 oz next year from the Stalwell open-cut mine in north-west Victoria. The mine is jointly owned by Western Mining and its 50.48 per cent-owned **Central Norseman Gold.**

Drilling has indicated that the property has 300,000 tonnes of proved and probable ore grading an average 4.5 grammes gold per tonne with a further 240,000 tonnes of possible ore.

The meeting approved the change in the Articles of Association aimed at giving the directors the power to ensure that no single foreign holder may control more than 15 per cent of the company's voting power and that no more than a total 40 per cent *may be controlled by* foreigners.

Construction to start at Argyle

CONSTRUCTION WORK on the A$475m (£290m) second stage of the big Argyle Diamond Mines project in Western Australia is expected to start in the near future, the joint venture partners said yesterday.

This follows formal approval for the project from Mr Mal Bryce, the state's Minister for Economic Development, on Thursday.

The second stage involves the preparation of AK1, the main kimberlite pipe of diamond-bearing material, for commercial scale mining, and the construction of a 3m-tonne a year treatment plant.

Construction is expected to last about two years, with AK1 coming into production in 1986. Annual output will be 25m carats, or five tonnes, of diamonds per year, mostly of the cheaper industrial and low-quality gem grades, making Argyle the biggest single producer in the world in volume terms.

The mine has an estimated minimum life of 20 years.

Alluvial production from Argyle, which began in January, will continue during the construction stage. This has provided the joint venture partners with cash flow from the production of 4.16m carats of diamonds so far this year, putting the project in line to exceed its planned target of 5m carats a year by half a million carats or so.

The partners in the project, the **Rio Tinto-Zinc** group's Australian arm **CRA** with 56.8 per cent, **Ashton Mining** (38.2 per cent) and **Northern Mining**, now controlled by the Western Australian Government, with 5 per cent, said that initial contracts for construction work to the value of A$75m are expected to be let during the next week.

The "wet," Australia's rainy reason, is not expected to hamper construction work seriously. The "wet" is due any time now, and normally lasts for about two months.

Mr Brian Burke, Western Australia's Prime Minister, welcomed the start of the main stage of development at Argyle, saying that this signalled the start of a major new industry which added a new and glamorous dimension to resource development in the state.

The project will provide employment for up to 800 construction workers over the next two years, 100 of whom are expected to be on site before Christmas. Thereafter there will be permanent employment for an operating workforce of 470 people.

New BP arrangement to help Seltrust

CORPORATE changes are announced whereby British **Petroleum** is to give a helping hand to its struggling 75 per cent beneficially-owned **Seltrust Holdings.**

In essence, Seltrust will be relieved of part of its exploration cost burden and avoid an over-exposure to nickel. The moves also show that BP is determined to stand by Seltrust which was floated back in 1979 as a vehicle for Australian domestic investment in the minerals industry Down Under.

BP Minerals Australia (BPMA) is to be set up to direct and manage the BP mineral interests in Australia which include Olympic Dam, Stuart Shelf and Benambra. Staff of Seltrust Holdings' operating company, Seltrust Mining Corporation, are to be transferred to BPMA.

In addition Seltrust will transfer to BPMA rights in the Mt Keith-Kingston nickel exploration area and in diamond exploration, both of which require high capital spending. *This will lower Seltrust's* interests in these areas to 25 per cent of the BP share.

A major consideration behind the moves is that with the completion of the 1,100-metre shaft at the Agnew nickel mine (owned as to 60 per cent by Seltrust and 40 per cent by **MIM Holdings**) exploration development into the two, lower major orebodies has started. It will cost some A$30m and pave the way for a decision in mid-1985 on the expansion of the mine.

Clearly, such an expansion will require the injection of sizeable funds and Seltrust is going to continue to need the financial and technical support of BP.

It is stated that when the Agnew expansion study is completed the new relationship between Seltrust and BP will be reconsidered by both companies. Seltrust shares were 58p yesterday.

INTERNATIONAL ROUND UP

THE Supreme Court of Queensland has approved the reduction in share capital decided upon at the September meeting of **Mary Kathleen Uranium**, Australia's oldest uranium producer.

Accordingly, the company, part of the **Rio Tinto-Zinc** group, will make a repayment of capital of 20 cents (12.5p) per share on December 5.

Mining operations at MKU ceased in October 1981, but the company has continued to make profits from sales of stockpiled uranium. Stockpiles will last for *about one more year.*

* * *

The merged **UC Investments** and **Sentrust** investment groups in the **General Mining Union Corporation** stable started trading in their new form yesterday. The groups, now renamed **Gencor Investment Corporation**, trade under the abbreviated form "**Genbel**," and the shares closed unaltered in London at 950p, Friday's closing price for UC Investments.

* * *

Attributable profits of South Africa's **Trans-Natal Coal Corporation** for the three months to September 30, the first quarter of the current financial year, came out at R11.69m (£6.9m), compared with R12.96m in the June quarter.

The company, part of the **Gencor** group, said that the decrease was largely due to a reversal of provisions in the previous quarter following the group's disposal of the Holbane Colliery to **Iscor**, the state-controlled steel producer.

The results also provide evidence of the continued softening in coal export markets. In the first quarter of the previous financial year, Trans-Natal Coal made attributable profits of R13.21m.

* * *

Net profits of **Rio Tinto Zimbabwe** for the third quarter to September 30 were Z$1.57m (£1m), down from the second quarter level of Z$1.97m. However, the company is still well ahead of last year at the nine-month stage, with net profits of Z$4.66m compared with a loss of Z$3.68m.

Gold production was slightly lower than in the second quarter, but the continued weakening of the Zimbabwe currency against the U.S. dollar more than made up for this and gold revenue was slightly higher.

The base metals refinery, which was only re-opened in July, closed again on September 26 in the absence of additional supplies. Production from the Sandawana emerald operation was again ahead of target, but no significant sales were made during the quarter.

Costs are still rising too rapidly, and the fall in the gold price seems likely to produce lower profits in the fourth quarter.

Rio Tinto-Zinc owns 58.4 per cent of RioZim.

Royal Worcester offer improved

BY RAY MAUGHAN

SPODE CHINA and electronics group, **Royal Worcester**, will decide today its response to an improved offer from Crystalate.

Crystalate has answered one of the chief objections to its original terms by putting in an underwritten cash alternative of 332p per share which values Royal Worcester at £22.47m.

The equity and loan stock offer has also been raised, but the improvement relates only to the loan stock element. As before, 19 Crystalate shares are offered for every 18 Royal Worcester shares but the convertible proportion has been lifted from £16 nominal to £25 nominal of new 8¼ per cent convertible unsecured loan stock 2003.

Taking the convertible at par and Crystalate shares at 156p, down 2p yesterday, the revised terms value Royal Worcester at 341½p per share or £23.11m in total. The Royal Worcester price gained 3p to 325p yesterday although Crystalate was able to buy 60,000 shares in the market at 323p.

The bidder picked up a 7.8 per cent stake before the bid started but its terms, which have already been extended to November 11, have so far been accepted by holders of only 0.6 per cent of its target's equity.

Mr John Leworthy, chairman of Crystalate, said yesterday that full acceptance of the equity and loan stock terms would lift Crystalate's gearing above 100 per cent but the bidder has never played down the probability that it will sell Royal Worcester's china business, which the defence has valued at some 200p per share, to any number of interested buyers.

The bidder pointed out yesterday that its new terms, when first announced are worth 77 per cent above the market value of Royal Worcester's shares when the disclosed stake was first declared and represent a fully taxed earning multiple of 37 times Royal Worcester's 1982 profits.

Firmin agrees £2.34m bid by Hong Kong's Diaward

BY CHARLES BATCHELOR

Diaward Group, a Hong Kong-based maker of military clothing and equipment, is to make a £2.34m agreed cash bid for **Firmin & Sons**, the Birmingham manufacturer of badges, buttons and military ornaments.

Diaward, a privately-owned company controlled by the Hsu family, is making its bid through Astonford Investments, a newly-incorporated UK company. Its 90p share offer has already been accepted by directors and other shareholders owning 51.6 per cent of the Firmin equity.

Firmin, established in 1677 and buttonmaker by Appointment to the Queen, has been adversely affected by public sector spending cuts which have reduced demand for police and fire brigade uniforms and buttons.

Pre-tax profits fell to a six-year low of £312,000 in 1982. In the first six months of 1983, profits were £102,000 on turnover of £1.04m.

Mr John Rogers, managing director of Firmin, said: "I am 60 next year and it is a question of continuity. My sons are not interested in carrying it on.

"I didn't want to leave my investment in a company when I had lost control of day-to-day activities. Rather than do a deal with the competition in the UK, which would have probably meant closing the factory, we have found what we think is a happier solution."

Birmingham Mint, which makes buttons and badges as well as minting coins and medals, is understood to have been interested in acquiring Firmin. It holds 5.1 per cent of its shares.

Diaward has factories in Hong Kong and Taiwan, employing about 1,000 people and generating turnover of £10m-£15m a year. Its international sales office, Diaward Equipment (UK), is based in London and it has long been a supplier to Firmin.

Mr Bill Edwards, a director of the Hong Kong company, said: "We feel we can do something for Firmin. We will leave it very much as it is, but will inject our expertise and customers. We sell to the same governments abroad as they do, but to different departments. They might sell police uniforms to the Ministry of the Interior, we would sell to the army."

Firmin's shares rose 3p to 93p yesterday. With about 70 per cent of the equity in the hands of the Rogers, Firmin and Turner families, the Firmin shares have not been actively traded. Mr Roger Turner is chairman of Firmin.

If the offer succeeds, Mr Keith Hsu, managing director of the Diaward's UK operations, Mr Edwards and another director, Mr Dennis Redmond, will join the Firmin board. Mr Turner will remain chairman.

Astonford is being advised by Antony Gibbs & Sons, while J. Henry Schroder Wagg is acting for Firmin.

Dealings suspended in Burnett's SA offshoot

BY RAY MAUGHAN

Burnett & Hallamshire, the open-cast coal mining, oil and property group, lost 10p yesterday to 170p as the shares in its 51 per cent South African subsidiary Rand London Corporation were suspended on the *London Stock* Exchange at *27p.* Dealings in Corporation's operating offshoot, Rand London Coal were also frozen at 24p following their suspension on the Johannesburg Stock Exchange.

Mr Eric Grayson, the new chairman of Burnett & Hallamshire said that negotiations in South Africa had reached an advanced stage and, although he declined to give the details of the discussions it is understood that the group's loss-making coal interests in South Africa, for which Burnett paid almost £30m in October 1981, are to undergo a financial reconstruction.

Burnett & Hallamshire has appointed Kleinworth Benson as its financial advisor although Brown & Shipley is to be retained to "handle various matters in certain parts of the group."

Speaking of the new appointment, Mr Grayson said yesterday that Burnett had been talking to the bank for "several months." I have just concluded our discussions and am very pleased to have their strength on board." He said that numerous new developments, particularly the open cast coal mining proposition in Northern Ireland, would have been "way outside the scope" of Brown and Shipley.

However, the recent share price fall in Burnett's shares, which stemmed from a dramatic downgrading of forecasts for the current year, and the request for a Stock Exchange probe which followed, have had the effect of "accelerating" the group's arrangements with Kleinwort.

Mr Grayson refused to comment on the mooted change of brokership away from Capel-Cure Meyers, although it is understood that James Capel are to be asked to take over as brokers to the group.

Bremner

As a result of purchases on November 1, 2 and 3 the Fraser Foundation and the Emily Fraser Trust are now holders of 827,999 Bremner ordinary equal to 14.99 per cent.

Argyll buys more Key sites

BY DAVID DODWELL

Mr James Gulliver, chairman of the **Argyll Foods** group, announced yesterday that he has acquired five more Key Markets developments from the Dee Corporation. With a sixth Key Market bought barely a month ago, Argyll is paying a total of £9m to Dee.

The stores that have been bought—three completed during the past two years and three still under construction — will become part of the 140-strong Presto Food Market chain, which accounts for about half of Argyll Foods £1.2bn annual turnover.

For the Dee Corporation, which until a month ago was called Linfood, the deal was seen as a vindication of chairman Mr Alec Monk's determination to buy the 98-strong Key Markets chain from Fitch Lovell for £44.8m early this year.

Since the acquisition he has sold seven Key Markets stores for £12.6m — recouping more than 28 per *cent of the original* purchase price of the group.

The purchases come as part of a determined effort by Argyll Stores' chairman, Mr Alistair Grant, to develop the Presto chain. The group plans to build or develop 20 new Prestos every year for the next four years, at a total cost of around £100m.

A spokesman for Argyll said yesterday that the group was still on the lookout for stores in the region of 20,000 sq ft in area, but did not plan any further acquisitions from Dee.

Dee Corporation has been equally busy over the past year in expanding and reorganising its food retailing operations. Apart from the sale of six Key Markets to Argyll, a seventh was sold to *the Leicestershire* Co-operative Society in September for £3.6m.

In addition, two hypermarkets were bought last week from the ailing Castlecare and Macgay for £4.6m. These have been added to the Carrefour hypermarket group, of which Dee recently acquired 100 per cent control. Strong growth is planned for Carrefour.

Dee's shares rose by 2p on news of the deal, to end the day at 318p. Argyll shares slipped by 4p to 135p.

FIH £1.5m ahead in opening half

WITH trading profits ahead in building supplies, and in printing and packaging, Ferguson Industrial Holdings reports pre-tax profits up from £1.34m to £2.81m in the six months to August 31 1983. Second quarter profits rose from £563,000 to £1.5m.

Mr Denis Vernon, the chairman and chief executive, says most of the increase in trading profits in the building supplies' division—66 per cent ahead at £1.04m—was generated in England as Irish building supplies' companies have yet to experience an upturn in demand. With the traditionally best third quarter starting well, both in England and Ireland, he says there is every reason to expect continued good results in this division.

Printing and packaging has expanded further, and a more than doubled trading profit of £2.08m (£1.02m) at the half-year point is highly satisfactory.

The interim dividend is raised from 2.2p to 2.5p net—last year's total was 5.7p from pre-tax profits of £3.82m.

Group sales in the first half rose from £57.61m to £68.83m. The pre-tax figure was struck after interest charges down from £465,000 to £307,000; employees' profit sharing £404,000 (£181,000), and associates' profits of £181,000 (£260,000).

Tax climbed from £285,000 to £844,000, and after dividends of £657,000 (£462,000), retained profits came out at £1.31m compared with £591,000. Earnings per 25p share improved from 4.8p to 7.7p.

Mr Vernon says the group has both increased and accelerated capital expenditure in printing and packaging in order to give the successful companies within that division every chance to expand into new markets. This will have the additional benefit of reducing the tax charge, which he expects to be in the region of 30 per cent.

He points out that the second half year contains the Christmas and New Year holiday periods, and the risk of severe weather, so it would be unreasonable to expect results to improve at the same high rate as in the first half.

Nevertheless, with over 90 per cent of its profits coming from the building supplies and printing and packaging divisions, a good result is expected for the full year.

● comment

Mr Denis Vernon has made it quite clear that some of the smaller companies are on probation. If they fail to make a decent return by the end of this financial year they are out. But the two dominant areas of operation have had an excellent half year. There is some extra profit in printing and packaging from acquisitions but the doubling of trading profits is solely due to the consumer boom. The division's customer list includes High Street heavyweights such as Marks and Spencer and Sainsbury which have clearly experienced a sharp upturn in packaging requirements. Building supplies is also well up on higher private housebuilding in the north east and increased repair and maintenance work. After these figures full year profits of £6m could be attainable pointing to an earnings multiple of 7.9 at 128p, assuming a tax charge of around 30 per cent. Until the rationalisation of the smaller companies is cleared, Ferguson is unlikely to go on the acquisition trail again. But when it does, it is fairly obvious which two areas will attract its attention.

Waddington on target so far

FOLLOWING A return to profits in the second half last year, games manufacturer and packaging and printing concern John Waddington has turned in a taxable surplus of £1.62m for the 26 weeks ended October 1 1983, compared with losses of £271,000 last time.

Sales for the first half increased from £23.4m to £25.18m.

Mr Victor Watson, chairman, says the growth in sales and the improvement in profit "is further evidence of the recovery of the business and vindicates our rejection of the recent bids."

Offers from both Norton Opax and the British Printing and Communication Corporation have lapsed; the former was withdrawn in August and BPCC's lapsed in September.

He says that first half profits are in line with the forecast made in July, that he now reaffirms, that the pre-tax figure for the full 12 months will be of the order of £3m.

And, as forecast, the directors are paying a 7.5p interim dividend out of an expected 15p for the whole year

Pre-tax figure at midway was after redundancy costs, £82,000 (£64,000) and interest £403,000 (£524,000). Tax charge was £213,000 (£41,000) and after extraordinary debits of £210,000 (£861,000)—bid defence costs—the attributable balance was £1.2m (£1.17m loss).

Earnings per 25p share were 22.2p, against 5.2p losses.

● comment

Waddington will achieve all that it said it would. More to the point, what is Mr Robert Maxwell going to do? He has amassed a 29.9 per cent stake and can go no higher, nor can he bid again until next September. That is assuming he wants to have another go—and that is by no means certain. Waddington's directors are digging defences even if they are unsure if, when and where from an attack might come. In such a position the only hope is to keep up the profits momentum. Drastic surgery is responsible for much of this year's staggering recovery, next year the gains might not be so easy to come by. In sales terms the group breaks down into four roughly equal parts: plastics, business forms and security printing, games and folding cartons. The most profitable areas are the first two while the toughest remains the cut-throat world of cartons. The recent battle shows that new man Mr David Perry has won the confidence of the institutions in turning Waddington round—but a good price can always overcome loyalty. Still at 285p a prospective yield of nearly 8 per cent and p/e (assuming only ACT) of more than 6½ is not expensive even without bid hopes.

Continuing progress by Cambridge Instruments

AT the halfway mark, the directors of Cambridge Instruments say that last year's pattern of progress is continuing. For the period to the end of September 1983 profits were ahead by 73 per cent, and turnover rose 31.5 per cent to £14m.

While trends cannot necessarily be maintained at these levels, the directors expect last year's improvements to be maintained. For the last full year, pre-tax profits stood at £2.3m on turnover of £28.7m.

Activities of the company include scientific and industrial instrumentation.

The directors say that two recent acquisitions have considerably enhanced prospects for 1983-84. In August, a Japanese trading company was acquired, which will assist penetration of the high technology market in Japan and the Far East.

With effect from October 1, Londex, a South London based maker of industrial equipment, was acquired. The directors say this now means that more than 25 per cent of turnover will come from industrial components and instrumentation.

Cambridge Instruments now has associate companies in seven countries and exports more than 70 per cent of its products. By further developing products, service to customers and market penetration the directors look forward to continuing successful developments.

Cambridge Instruments is a subsidiary of the unquoted Cambridge Instrument Company.

Phicom £3.9m rights to reduce short term debt

WITH THE backing of its Malaysian parent, Phicom is launching a one-for-three rights issue at 25p a share to raise £3.86m after expenses which will initially be used to reduce short-term debt. Magnum Corporation Berhad, which holds 63.4 per cent of the equity, will be taking up its entitlement in full. The balance has been underwritten.

Along with the cash call comes a profits forecast of £2.1m compared to £914,000. The directors say that the year's profit could have been over £100,000 had it not been for a three week strike at one of its plants last month. The board remains confident that this progress will continue in 1984.

At the halfway stage Phicom produced almost doubled profits of £1.02m.

The board is also projecting a final dividend of 0.45p per share which will make 0.75p for the full year against 0.5p.

The chairman, Mr R. F. J. Howard, intends to retire from the board following the annual meeting next year, though he will remain associated with the company through an extended consultancy agreement with Technology Management Services, a company in which he has a controlling interest. The agreement has been extended for two years after his retirement.

Mr Howard's successor will be Mr A. K. S. Franks who will also continue as chief executive. Mr Fu Chee Cheng will join the board as an executive from the beginning of 1984.

The rights issue of up to 15,898,204 ordinary shares will also be available to other classes of shareholders in the proportion of one-for-three for holders of the 8 per cent convertible redeemable preference and five-for-six for convertible preference shares.

The new shares will not rank for the interim dividend declared in August.

The company says that the issue will support increased working capital needs as well as fund the capital expenditure programme.

Town Centre higher at £2.1m

HELPED BY the erradication of hotel operating expenses, pre-tax profits of Town Centre Securities, the property investment and development group, rose from £1.92m to £2.11m for the 12 months ended June 30 1983.

Earnings improved from 1.54p to 1.61p per 25p share. The dividend is being held at 1p net, but a scrip issue on a one-for-ten basis is being proposed.

The directors believe there has been some slight fall in certain values this year, particularly of long leasehold properties, and say the accounts show a revaluation deficit of £2.18m on long leasehold values.

They add that at the same time there has been some slight improvement in the value of the group's freehold property of almost £1m.

Gross revenue for 1982-83 dropped from £5.2m to £4.88m before taking account of property expenses of £633,000 (£500,000), hotel operation expenses last time, £905,000, administration expenses of £670,000 (£571,000) and higher interest charges of £1.47m, compared with £1.31m.

The directors are proposing a resolution which would authorise the group to purchase from shareholders (including directors) on the Stock Exchange at any time not more than 7,315,926 ordinary shares (10 per cent of issued share capital of £18,289,816) at not more than 110 per cent of the middle market quotation of the previous dealing day nor less than 25 per cent per share (being the nominal value of each share) before June 14 1985.

Not more than 5 per cent of the companys issued shares will be purchased during any one 12-month period.

Although the Companys Act 1981 requires the group to use distributable profits for the purchase of shares, the directors do not intend to do so at the expense of dividends on the ordinary.

Tax for the past year accounted for £925,000 (£786,000) and minorities £3,000 (£4,000).

Munford & White up 20%

FOR THE half-year ended September 30 1983 electronic alarm equipment manufacturer Munford & White has increased pre-tax profits by 20 per cent from £208,000 to £250,000 and directors are paying a 1p interim dividend.

And they are confident that prospects for the second six months, which should reflect the benefits of increased capacity and new products coming on stream, "are very good."

Profits for the 1982-83 year were £451,000 and the dividend paid was 1p.

Turnover of this USM concern—it came to this market at the end of 1982—expanded by 40 per cent to £1.39m (£987,000), and directors say that this improvement and that of profits, was achieved despite capacity constraints in production facilities.

Demand was strong during the six months, in particular for the company's new products incorporating the latest microprocessor and uncommitted logic array (ULA) technology.

Demand from overseas markets is encouraging and the company expects sales from this source to increase substantially

"A significant order for detection and control equipment for use in a domestic package has been received and there are excellent prospects for this new development," directors state.

In order to meet this increased demand, the company is building a 28,000 sq ft factory in Clevedon, Bristol, which should be completed late in 1984.

Six months' tax takes £100,000 (£101,000) and after the interim dividend payment, £32,000 (nil) the retained balance was £118,000 against £107,000. Earnings per 10p share were 4.6p, compared with 3.5p.

TECHNOLOGY

EDITED BY ALAN CANE

Death of videodisc has been postponed

Video & Film

BY JOHN CHITTOCK

A POPULAR sport in the last two years has been video disc bashing. A vociferous majority in the video industry has written off the video disc as too late, too specialised and too limited through its inability to record off-air. Only a few (this column included) have clung to an almost passionate belief in the unique virtues of the video disc, *predicting a healthy* future for the medium provided the manufacturers could get their muddled marketing strategies sorted out. The cry from the video disc camp has been "Vive da difference!."

It now begins to look as if that faith was justified. The principal manufacturers involved are now losing their hesitancy, their minds concentrated wonderfully by the threat of competition. In the UK, the competition comes of course with the arrival of RCA's low cost CED system—which has done well enough in the U.S. to show that a market is *there for those who try hard* enough.

An important vote of confidence is about to be signalled by Thorn EMI, which last year shocked the industry by shelving its plans to launch the VHD video disc system. Any day now, the company is likely to announce its intention to introduce VHD to industrial and ducational markets in the UK. This decision will confound those who believed that Thorn EMI would abandon VHD, and it could mean that Britain will become the first market in the world where all three rival systems are available. The arrival of RCA's CED system in UK ironically may have provided the stimulus that both Thorn EMI and Philips needed, because even Philips now seem to be emerging from the doldrums with a flurry of new confidence.

For Philips, the turnabout comes with a sudden dedication to the principle that others have been urging upon them for three or more years—namely that video disc player sales must be supported by the manufacturers with a major investment in software. Until recently, Philips took the view that software was the responsibility of producers and distributors—if they manufactured the players, the market forces would stimulate other to provide the programmes.

This inhibiting policy allegedly led one Philips executive to write on a blackboard, during an internal meeting, the words "SOFT WHERE?" But at last it really is different, and Philips are now tackling the software problem vigorously and with a new spirit of enthusiasm. The policy is leading to substantial direct investment in the acquisition of programmes, and even to the funding of original programmes—such as an impressive video disc about Vincent van Gogh, which provides not only a conventional moving picture account of the artist but a colour still picture library of nearly all of his major works.

Earlier this year, Philips in UK also started to distribute video discs to hardware outlets as additional back-up to the independent distributors supplying software retailers. Philips also claim that in the last two to three months, retail outlets for the player have doubled—with recent additions including Curry's, Laskys, Comet and Rumbelows. With the price of the basic player reduced to £299—but effectively £249 because three discs worth £50 are included with the machine—it is clear that the arrival of RCA in UK has had a profound effect upon Philips.

The RCA player, made by Hitachi and now appearing in *British shops, comes in at* a very low £199.95. But this basic model is mono sound, unlike the Philips which is stereo. The cheapest RCA stereo version is £229.95. RCA discs cost from £9.95 to £12.95 each (depending on title), which has in turn encouraged Philips to also introduce cheaper price tiers—from the originally fixed £17.95 but going down to £11.99. Philips also plan to introduce a simplified version of their system late next year without the freeze frame capability; however, it will be possible to up-grade this model by the addition of a separate *unit*.

What is now about to face the British public is a consumer war, largely based on price and programme range (RCA have started with 100 titles; Philips—with an 18 months lead—have over 250, rapidly rising to 400 by the end of the year). The superior picture and sound quality of the Philips system may be an advantage, but RCA have been closing the gap.

The Thorn EMI decision to make VHD available in Britain to the so-called institutional *market underlines how the* unique qualities of the video disc are now being recognised. If Thorn EMI left it any later, they might be too late, and some might well say that they have already wasted a valuable 18 months anyway.

The institutional part of the contest is two-cornered, with Philips the opponent. Despite slow progress in consumer markets, Philips have been pushing along with the professional versions of their optical player, with, for example, a new model about to appear with various sophisticated facilities ranging from a built-in teletext encoder to a computer software dump. Philips are also about to announce a major contract to supply industrial players to a very large international computer company.

On the industrial front, VHD have clearly lost valuable time. In Japan — the only country where VHD is presently available — JVC's main thrust has been towards consumer users. In UK, Thorn EMI have acquired valuable programming experience through their in-house production unit, which does at least give them some advantage. But ironically VHD looks a stronger competitor to the Philips LaserVision system in the consumer market — comparable audio-visual quality, smaller disc size, more compact player, possible price advantages — even though it will have strong appeal to institutional users.

The video disc thus faces company conflicts on two fronts, consumer and industrial. For the latter, there may be room for both Philips and JVC/Thorn EMI. But the consumer battle is now very confused: RCA/Hitachi facing the Philips/Pioneer LaserVision system in the UK and the U.S., but LaserVision fighting only JVC's VHD in Japan and no competition in West Germany, Holland and Australia.

It would be foolish to bet on the outcome. But one thing is now certain. The video disc has arrived, and it will not go away.

VOICE RECOGNITION AND RESPONSE SYSTEMS ARE INCREASING

The telephones that talk back

BY JASON CRISP

"WE ARE still struggling to get back to the level of telephone service we had in 1900," comments Dr Ivan Cermak, director of ITT's Advance Technology Centre in Shelton, Connecticut.

"Then you did not need to memorise numbers, you just picked up the telephone and asked the operator to get someone for you. If you went out to dinner you told the operator where to re-route your calls."

Last week at the quadriennial telecommunications extravaganza in Geneva ITT demonstrated an electronic telephone system which accepted voice instructions. Someone could pick up the phone and ask for an extension by number, or the name of its user. The demonstration was linked to a System 12 digital exchange and would also dial a small number of outside numbers—such as airline reservation desks—on a spoken request.

Voice recognition and voice *synthesis demonstrations proved* to be one of the sexier things to be seen at Telecom 83—easily competing with the anonymous boxes which contained advanced digital telephone exchanges costing hundreds of millions of dollars to develop.

Nippon Electric Company (NEC) attracted the greatest crowds with its automatic interpreting system. Actors demonstrated automatic translation between Japanese (and also Spanish) and English. The system used NEC's DP-200 continuous speech recognition equipment which is already used in several commercial applications. NEC claimed that the "translation" was carried out by its personal computer the APC. The result was then synthetically spoken by the DP-200.

There were clearly a number of practical limitations. Although the DP-200 accepts ordinary speech at a reasonable speed its vocabulary was limited to 150 words and only from one speaker. And as the actors kept very carefully to their scripts there was no evidence of any *translation in the real sense.*

NEC was presenting it only as a research project and said that an operational automatic translation machine would not be available until the turn of the century.

Digital Equipment, the leading U.S. minicomputer manufacturer, also attracted attention with a new product for converting computer data into the spoken voice. The company demonstrated an application which would enable someone to find out the content of any messages left in an electronic mailbox without needing a computer terminal with a visual display unit.

Anyone with a push button telephone can dial the system which will "say" how many messages have been left and who they are from, identfiying each one with a number. By pressing the appropriate number on the telephone, the listener can hear the message.

The speed and type of voice (male, female or child) can be controlled. The system also appeared to be able to cope *with some of the odder pro*nunciations of the English language such as "though," "bough," and "through." But it would only pronounce Geneva correctly if it was spelt "Geneeva."

DEC were rather vague about details but the system is expected to be available in the U.S. next year and cost about $2,000.

ITT's speaking telephone was based on speech recognition equipment developed by the ITT Defence Communications Division in San Diego. (A typical defence application would be in a fighter aircraft. The pilot can call out for information, such as how much fuel left, and be told without having to divert his eyes to an instrument.)

The ITT voice system, being shown publicly for the first time at Geneva, was claimed to be able to recognise just about anyone's voice at once. Dr Cermak said the system could be used with an exchange within about two years. It would be about *four* to five years before it could be used in an individual's workstation.

IBM'S PERSONAL COMPUTER REVEALS FEW NOVEL FEATURES

PC 'Jr'—pedestrian, but no slouch

BY LOUISE KEHOE IN SAN MATEO, CALIFORNIA

"PC JR" ALIAS the "IBM peanut" is distinctly unremarkable —from a technology viewpoint.

The home computer that has rocked Wall Street prior to its announcement, been blamed for the demise of more than one of the leading U.S. personal computer manufacturers and is widely predicted to be about to take over the U.S.—and then the world—home computer market, is notable for its lack of technical innovation.

Jr could hardly have avoided being an anti-climax, given the remarkable degree of publicity that it has attracted prior to its introduction. In the event, however, IBM guaranted that henceforth "Jr" would be described in terms of sales figures—and little else.

Like its predecessor, the IBM Personal Computer, PC Jr is built around an intel "PC chip set" with an 8088 microprocessor. Jr comes in two versions—a $669 model with plug-in cartridge software, and a $1,269 model with a single double density disk drive. The lower priced model has 64k of ram and the more expensive version 128k. Jr runs a version of the standard MS DOS operating system and is largely compatible with the original IBM PC.

In fashioning a home computer that is compatible with the PC but not competitive with the higher priced machine, IBM has clearly been forced to compromise the features of Jr. The result is a computer that lacks the performance potential of comparably priced personal computers from other manufacturers.

IBM has, however, made a genuflect in the direction of technical novelty by incorporating infra-red communication of data betwen the keyboard and central processing units. This is the same kind of system used in many remote control television devices. It is not exactly new—but it is new to home computers.

IBM has said little so far about its distribution plans for Jr. Although it has been assumed that IBM dealers—computer retail stores—will sell Jr, some of those dealers are not enthusiastic. They regard Jr as a product better suited to department stores and catalogue sales: "most small computer stores cannot afford to support customers who spend less than $1,500 on their computer," says the owner of a major computerland store in California. He prefers to sell more profitable $5,000 systems to business users.

Computer retailers will, however, apreciate the high "after sales" potential of the IBM home computer because Jr owners will need to buy extra add-ons to make Jr perform most of the more interesting home computer functions. A modem, for example, is needed to hook the Jr up to a phone line. An RF modulator is needed to connect the Jr to a television.

IBM has clearly decided that technology is not necessarily the key to success in the home computer market. It will not be "*gee-whizz*" features but rather such solid characters as "*IBM*" *that persuade* Mr Average to spend upward of $1,000 on a home computer.

Jr will undoubtedly attract hundreds of thousands of buyers. People who have hesitated at the brink of deciding to purchase a home computer will take the plunge feeling assured that it is the right move by the "big blue" initials. Price and performance become minor issues when the decision is based upon the perceived confidence that now—the home computer has arrived.

Monitoring

Detecting buried faults

A SMALL Bristol based company, Dynalog Electronics, has just spent three years developing an instrument that will detect buried steel pipes, measure their depth and indicate the condition of the wrapping or coating.

Such pipes—there are some 2m miles below ground throughout the world that are being repaired and maintained at an annual cost of £700m—inevitably start to corrode the moment they are laid. The new instrument allows engineers to determine whether the wrapping is below an acceptable level of deterioration, pointing to corrosion.

Known as C-scan, the instrument is simply carried by the surveyor across the line of the buried pipe at points that can be several hundred yards apart. The instrument's display will tell the user where the pipe is, at what depth, and the general condition of the wrap between his current and previous observation point.

If the wrap quality is below an acceptable figure the instrument can then be used to examine specific sections, possibly revealing corrosion points or leaks.

The detector works by measuring the strength of an AC signal above the pipe at various distances from an injection point where a second unit, a signal generator, is physically connected. The instrument can remember a large number of readings and feed them to a printer at the end of the survey, providing a complete record of a pipe run. More on 0272 49582.

FINANCIAL TIMES SURVEY

Tuesday November 8 1983

Accountancy

Major challenges lie ahead for the profession, partly because of its flourishing membership and partly because of the increasing spread of activities into industry and other fields. It will be the task of the professional bodies to resolve these issues satisfactorily

Mounting problems of success

BY BARRY RILEY

BRITAIN'S accountancy profession remains a strong growth sector within the buoyant financial services industry. According to figures compiled by the Financial Times, the big accountancy firms pushed up their fee income by an average of something like 15 per cent last year, despite the economic recession.

No similar figures are available for the myriad small firms of accountants but they are likely to benefit from the growth of small businesses generally. Meanwhile there continues to be a strong demand for financial executives in industry and commerce and the employment of qualified accountants in the civil service is expected to double within the next ten years despite an overall fall in the total numbers of civil servants.

Certainly there has been an extraordinary expansion in the profession. In the past 20 years the membership of the biggest accountancy body, the Institute of Chartered Accountants in England and Wales, has risen from 35,200 to 73,800. In only a decade the membership of the Association of Certified Accountants has risen from 14,490 to 25,980 and that of the Institute of Cost and Management Accountants from 13,400 to 22,000.

Perhaps there are now a few signs that this hectic growth rate is beginning to slow down. For example, the number of students registering with the English Institute fell from 4,930 in 1981 to 4,670 last year (it is too soon to evaluate the position for 1983).

But accountancy remains a highly attractive profession for many of Britain's brightest youngsters. Over 80 per cent of the English Institute's students possess university degrees, and indeed something like one in eight of all male graduates in the UK enter the profession.

Business career

By international standards this is an extraordinary proportion. But it is partly explained, of course, by the fact that an accountancy qualification in Britain is seen in many cases as paving the way for a general business career.

Even within the specialised accountancy firms a rapid diversification of activities is taking place. Traditional professional specialities like auditing, liquidation and tax advice are being supplemented by management consultancy, computer services, technical publishing and other related business areas.

All this growth in numbers and in spread of activities is putting considerable pressure on the profession. Of the six member institutes of the Consultative Committee of Accountancy Bodies, the profession's top umbrella organisation, only the ICMA and the Chartered Institute of Public Finance and Accountancy remain comparatively narrowly based.

The three institutes of chartered accountants—English, Scots and Irish—have memberships which straddle both professional practice and industry, while the same applies to the ACA (which also has a significant public sector membership).

The greatest problems have been faced by the biggest body, the English Institute. It is preparing for major decisions on two fundamental issues, those of advertising by individual firms and of student training outside public practice. An even more important debate is going on about the whole question of the direction, control and regulation of the Institute.

In recent years the Institute has become increasingly difficult to govern. For a long time its Council has effectively been dominated by partners in the big professional firms, who are in a position to be granted the time and resources needed to take an active part in the Institute's affairs.

But the membership is structured quite differently. Half the members are not in practice at all but work in industry and commerce; most of the remainder are partners in small firms or are sole practitioners. Accordingly it has become increasingly difficult for the Council to reflect the wishes of the membership and there have been several embarrassing votes in which the opinions of the grassroots have been made manifest—notably over current cost accounting.

Some two years ago the Council decided that it was time to take a fundamental look at the Institute's structure. As a first step it commissioned Mr Robert Tricker of Nuffield College, Oxford, to produce a study. This, entitled "Governing the Institute," was published last spring.

It was intended to stimulate a wide-ranging debate and a long period of discussion is scheduled. At present the Institute is assessing members' initial responses and at some stage in the spring or early summer next year the Council will publish its own Green (discussion) Paper.

There will be no firm proposals but the idea will be to narow down the options so as to focus the debate. More soundings will be taken, and then in the spring of 1985 the plan is to produce a set of much more specific suggestions as a kind of White Paper.

Focusing debate

Even at that stage, however, the Council will not be ready to put its views to the test. The final version of the proposals will not emerge until early in 1986, to be voted upon by the membership in June of that year.

The kind of issues explored in the Tricker report included the need to organise members into more coherent interest groups—he called them subject conferences—and the possibility of upgrading the post of secretary of the Institute into a more powerful position of executive director.

But the danger is that a more assertive leadership might split the Institute apart—especially if the divisions within the membership were formally recognised within the structure. It might then be only a small step to adopting an overtly federal arrangement, or even to an outright splitting of the Institute.

Whether or not the future brings an actual splintering of the English Institute it is certainly hard to see the existing accountancy professional bodies moving much closer together. Although they co-operate in such matters as accounting standards and the promotion of a junior professional body, the Association of Accounting Technicians, they remain jealous of their separate roles.

Only a few weeks ago the English Institute learned that it had been successful in squashing the attempt by the ICMA to change its name to the Institute of Chartered Management Accountants. The English Institute persuaded the Privy Council, which has jurisdiction in matters concerning Royal Charters, that for ICMA's members to be called "chartered management accountants" would lead to confusion in the minds of the public.

As it stands, this argument is hard to follow because management accountants do not deal with the public. The real purpose was to protect the title "chartered accountant," which carries the highest prestige in the profession.

The English Institute is now seeking to press home its advantage. It is testing a corporate advertising campaign in parts of the North of England, with the slogan "Talk to a chartered accountant." This is a response to the pleas of small practitioners for the Institute to do something more effective to promote their services.

This is one of the less controversial proposals for advertising but there is also the much hotter subject of advertising by individual firms, over and above the "tombstone" advertisements in local papers already permitted after discussions with the Office of Fair Trading.

The Scottish Institute and the ACA remain opposed to liberal advertising rules but strong pressures are building up within the English Institute. It has just published liberalisation proposals which may be implemented next spring if the membership gives a favourable response.

The demand for freedom to advertise reflects the broadening business spectrum of accountancy firms. So long as they were primarily competing against each other for traditional business, advertising could be said to be both unprofessional and an avoidable overhead. But increasingly they are coming up against competition from non-accountants, who suffer no inhibitions in promoting themselves.

Until recently the problem was mainly confined to the big firms, whose marketing and publicity departments routinely come within an inch of breaking the Institute's finely drawn rule book. But even smaller firms now feel the need for promotion, with the clearing banks, for example, seeking to move into personal tax advice and small company accounting services.

The commercial logic is clear but there is nevertheless a strong element of opinion within the English Institute which argues for a conservative approach. Accountancy is a profession, not a business. Accountants have been granted privileges—notably the auditing monopoly—on the understanding that they will put professional judgment first and commercial self-interest a long way second.

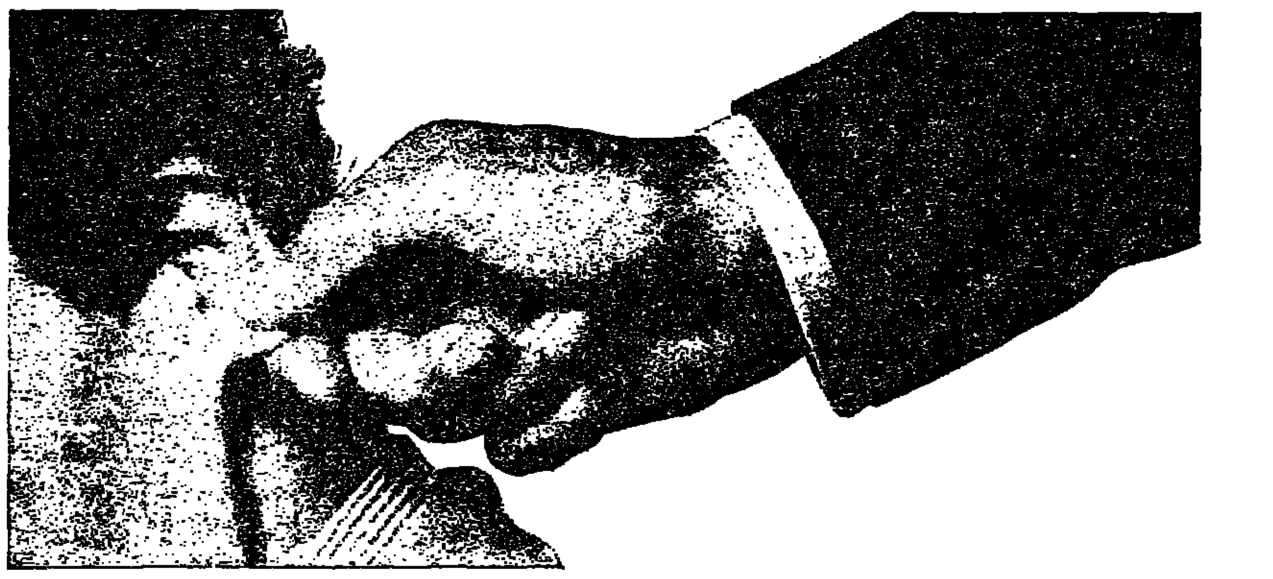
Such criteria are hard to apply, however, when the big firms of accountants have become multinational financial services conglomerates, with a highly competitive instinct. The challenge for the future is whether the profession's institutional structures will be able to cope with the problems of success.

Top 20 accountants by fee income

Ranking	Partners	Professional staff	Staff/partner ratio	Total professional staff	Fees* (£m)	Fee/partner ratio (£'000)	Ranking by fee/partner ratio	Fee/total profesnl. staff ratio (£'000)	Ranking by fee/total profesnl. staff ratio
1 Peat Marwick Mitchell	194	2,808	14.47	3,002	64.3	331.4	2	21.42	12
2 Deloitte Haskins and Sells	255	2,440	9.57	2,695	60.5	237.3	8	22.45	5
3 Price Waterhouse	185	2,086	11.27	2,271	60.2	325.4	3	26.51	2
4 Coopers and Lybrand	205	2,220	10.83	2,425	60	292.7	4	24.74	3
5 Ernst and Whinney	188	2,233	11.88	2,421	52	276.6	6	21.48	11
6 Touche Ross	166	1,976	11.90	2,142	48†	289.1	5	22.41	6
7 Arthur Young McClelland Moores	173	1,983	11.46	2,156	46	265.9	7	21.33	13
8 Thornton Baker	220	1,947	8.85	2,167	40	181.8	15	18.46	18
9 Arthur Andersen	98	1,183	12.07	1,281	35	357.1	1	27.32	1
10 Thomson McLintock	140	1,280	9.14	1,420	31.6	225.7	9	22.25	8
11 Binder Hamlyn	126	1,047	8.31	1,173	26.5	210.3	10	22.59	4
12 Spicer and Pegler	125	1,050	8.40	1,175	25.25	202.0	13	21.49	10
13 Pannell Kerr Forster	156	1,127	7.22	1,283	22.6	144.9	19	17.61	20
14 Dearden Farrow	99	504	5.09	603	13.5	136.4	20	22.39	7
15 Neville Russell	68	464	6.82	532	11.5	169.1	16	21.62	9
16 Stoy Hayward	56	493	8.80	549	11.4	203.6	12	20.76	14
17 Kidsons	70	501	7.15	571	10.75	153.6	18	18.83	17
18 Robson Rhodes	65	492	7.57	557	10.5	161.5	17	18.85	16
19 Hodgson Harris	42	377	8.98	419	7.7	183.3	14	18.38	19
20 Armitage and Norton	35	335	9.57	370	7.3	208.6	11	19.73	15

* Net of recoverable expenses. † FT estimate. Research by Jan Schling. FT Editorial Research Desk.

On other pages



Challenge to the Anglo-Saxon giants

International firms

ALISON HOGAN

THE TRADITIONAL Anglo-Saxon dominance of the international accountancy profession is being challenged.

At the level of standard setting the UK and U.S. models are copied throughout the world and will always form the basis of best international practice—but at the level of the professional firm, attitudes are changing and the international firms are having to come to terms with the increasing strength of nationally-based firms.

The growth of the Big Eight still continues apace. Peat Marwick Mitchell, for example reported a 7 per cent increase in world-wide fee income to $1.23bn in the year to June. It was earned by a staff of 27,000 who worked 29.6m chargeable hours.

The top firms maintain their dominance by piling very considerable resources into training and research so that they can command some of the best students, tap the largest resources—and usually charge the highest fees. These resources are particularly advantageous in keeping up with technological changes. Arthur Andersen has established a clear lead in the provision of software and data processing consultancy among the accountancy firms. Others have concentrated on developing advanced computerised audit support systems.

All the international firms have found that they need to build up the proportions of local nationals employed at all levels by local offices. Price Waterhouse, for example, has a policy that in every country where it practises the organisation should be conducted and led by local nationals.

However, it wishes to keep its strong international identity, and in the longer term PW intends to reduce the number of member firms, presently 20, to a relatively small number of regional firms. All PW partners are members of their national partnership and the world partnership, PWW.

Ernst & Whinney has taken a slightly more regional approach, allowing national firms more autonomy, though they still operate within an integrated management style and meet within regional groups. The Continental Europe E & W seeks national staff with local accountancy qualifications. It is not concerned whether the staff receive either a U.S. or UK training. This policy averts the kind of criticism of Anglo-Saxon domination which so offended the French and resulted in the international accountancy firms being prohibited from establishing offices in that country.

Mr Eddie Bartholomew, senior partner of E & W Europe, says that in the last year out of 24 new partners appointed in the region 20 were nationals. "We find that about half of our work in France, Italy, Spain and Africa is national rather than referral work. It makes sense, therefore, to have a strong national partnership, though we then expect our staff to operate according to the worldwide standards of Ernst and Whinney," he says.

The trend towards employing nationals has limited the opportunities for expatriate accountants on the audit side, except for countries where the indigenous profession is unable to meet the needs of the firms. But there are still opportunities on the non-audit side, in tax and management consultancy.

The big firms see their main area of growth in the consulting field, leaving the audit, particularly of smaller national companies, to small accounting firms. Mr Bartholomew admits that in the next 10 years E & W could see its non-audit work grow to about half. The firms are building up special areas of expertise in either office automation, health care, financial institutions or development projects.

This trend has left a lucrative area for medium-sized accountancy firms which is being filled by an increasing number of international federations such as Klynveld Main Goerdeler.

KMG is a worldwide accounting organisation consisting of well established national firms including Thomson McLintock in the UK, Deutsche Treuhand in Germany and Sanwa Tokyo Marunouchi in Japan. Its philosophy is "of dual identity within each country, national and international." They supplement national staff with expatriates when they are needed to service international clients with subsidiaries in that particular country.

The established accountancy organisations which have been discussed so far have been within the Top 10 UK accountancy firms. Some interesting new developments have come about in the last couple of years between accountancy firms a little further down the fee income scale, especially in Europe.

The smaller firms are benefiting from the increase in accounting and auditing work arising from the implementation of the EEC directives on financial statements. The importance attached to the audit statement and the need for a "true and fair" view has enhanced the standing of the profession in some countries which traditionally paid scant regard to the preparation of accounts for external use.

The growth in venture capital investments and over the counter markets has also expanded the demand for corporate finance services by the medium-sized company.

These trends in practice development have encouraged a different kind of international link-up from the mergers which characterised the seventies. Their basis is mainly one of referral and assistance between national firms. Dunwoody Robson McGladrey and Pullen is one such group, to which the UK partnership Robson Rhodes belongs. The managing partners of the European firms meet frequently to discuss practice development and the ways in which they can assist each other.

Another organisation, DHR International, was founded in February 1982 to offer international cover to the clients of each of its members. Walter Hoffman of Howard Tilly in the UK says the arrangement has proved most effective. "The flow of business in recent years has been from the Continent rather than the U.S. and we have found that the referral work has gone up since joining DHI International." Typically the companies they deal with are in the £1m to £5m turnover range.

Another kind of accounting network for small firms has been established in the U.S. and is spreading around the world. One such group, the International Group of Accounting Firms, provides a back-up of staff training and conferences for smaller firms that wish to keep their own identity. They conduct peer reviews approximately every three years and demand a high level of active participation by member partners within regional groups to encourage a high and uniform standard of professional practice.

IGAF, administered from an executive office in Miami, has 51 member firms with total fees around $120m. It has only two firms in the UK, including the 10-partner firm of Levy Gee in London, though the number is expected to increase in the next few years.

With publicity restrictions likely to lift, accountancy firms are going to be able to market themselves more easily. This trend, coupled with the growing strength of national professions in many countries, is likely to encourage more international federations of firms in more healthy competition with the old Anglo-Saxon giants.

Campaign aimed at local business

Small firms

ALISON HOGAN

IN NEWCASTLE the chartered accountants have been "coming out from under their bushel" according to the President of the English Institute of Chartered Accountants. This week they end a seven-week publicity campaign aimed at smaller businesses in the North-East.

It is an experiment in corporate advertising which if deemed successful will be repeated in other regions of the country. The beneficiaries should be the small accountancy firm which is feeling increasingly threatened by competition from unqualified accountants who offer simple accounting and book-keeping services and from the banks; both parties can advertise their services freely.

The Institute's council, ensconced in the grandeur of Moorgate Place, has often been criticised for domination by Big Eight representatives. The vast majority of its practising membership, however, is scattered around the country in small High Street firms, only occasionally appearing to vote down motions on integration or inflation accounting or advertising.

Many of them oppose change because they fear the harsh impact of competition. Some are concerned that if a peer review were conducted they might fail. They are not alone in their concern. Solicitors face similar threats to their traditional source of income. Upstart bankers who advise on a cash-flow system are little different from the upstart building societies which are considering schemes to simplify conveyancing and so wipe out a source of income which constitutes no less than 50 per cent of all solicitors' fees.

Yet why should the professions escape the rigours of economic change any more than any other section of industry and commerce? Sir Gordon Borrie, Director General of the Office of Fair Trading, fights a hard battle when he calls for a lifting of restrictive practices and asks whether the professions are guardians of the public interest or simply a privileged monopoly.

Ms Barbara Culverhouse is a highly respected small practitioner and member of the Institute council. She believes that the divisions within the profession over its development and the scope for advertising is not so much between the large and small but rather a difference of generation. "People of my age group think of the profession as something very special. We would never have dreamt of advertising. We believe the best advertisement is ourselves and our clients."

She recognises, however, that younger accountants setting up in practice might benefit from some form of publicity. "We should let the public know what we can do, whether we can offer tax or insolvency services—and that we are chartered accountants, for many people do not realise the distinction."

She dismisses competition from the banks and other financial services. "We have nothing to fear from such competition. Our days are not numbered. The good small practitioner has a great future."

Modest element

Small practitioners have in general opposed any simplifying of audit regulations for smaller companies. If small companies were exempted from the need for a full audit, then a large source of work would disappear. But the growth of all-round accounting services should make the actual audit work a modest element in their overall generation of fees.

The presence of small business services within banks and the growth of venture capital concerns which advise on financial management have forced accountants to emphasise those other services.

Accountants are also taking a more prominent role in the local community to increase the public awareness of their skills and experience. In the North East, for example, they are involved in the Citizens Advice Bureau; they give an hour's free advice under the first-time entrepreneur advertising scheme, and liaise with the Department of Industry, the Small Firms' Centre, Durham University Business School, local authorities and are represented on the panel of the Tyne and Wear Enterprise Trust. Some feel this is the best way of publicising themselves. Others seek a greater degree of commercial advertising.

Not all small firms fit into the sleepy image of provincial commerce. A number of accountants, often trained with well known international firms, have decided to leave the fold and set up on their own, preferring the freedom—and often quicker route to partnership—that a smaller firm cannot offer.

CONTINUED ON NEXT PAGE

Main setting process to be speeded up

Standards

ALISON HOGAN

IAN HAY DAVISON is well into his second year as chairman of the "new look" Accounting Standards Committee. In between long bouts licking Lloyd's into shape as its first chief executive he has managed to reconstitute the membership of the ASC, consign SSAP 16 to the scrap heap of failed attempts to account for inflation, and created a new watered-down form of pronouncement with the unfortunate acronym of SORP.

A Statement of Recommended Practice will be a new non-mandatory recommendation of best accounting practice left to the discretion of the directors rather than the auditors. It is the ASC's solution to mounting criticisms of "standard overload" from hard-pressed businessmen facing ever-growing audit bills. It may be used as the escape route for the accountancy profession out of the intractable problem of inflation accounting.

As Mr Davison ruefully commented on inflation accounting in a key-note speech in September: "This problem has been with us for far too long. People are becoming bored by it." He went on to say that it is not only the major task facing the ASC currently, "but in my view an issue on which the credibility of our whole profession depends."

Yet a solution seems no nearer than it did when the debate began in earnest some 15 years ago. The ASC is scheduled to produce a new exposure draft for discussion in January. The ASC subcommittee headed by Mr Stanley Thomson will produce a draft for discussion when the ASC next meets on November 30.

The key elements will include a requirement that all entities reporting under the true and fair convention must report on the effect of changing prices where this is "material." But there will be flexibility, with larger companies given more detailed guidelines than smaller ones.

The London Society of Chartered Accountants, the largest and most influential of the Institute's district societies, recently canvassed its members about the future of SSAP 16. They are agreed on the need for a single method of accounting for inflation and prefer to show the effect of changing prices in accounts by way of note or supplementary statement. But they could find no consensus as to just what method of accounting should be adopted. They reject both "current purchasing power" and "current cost" SSAP 16.

They are very concerned that there should be no "free for all," with companies doing whatever they like. They would prefer that the standard were further delayed than that an unsatisfactory compromise emerge.

Such delay is unlikely to fit in with Mr Davison's plans and concern to maintain the profession's credibility. The future of the profession's standard-setting role was top of the agenda at the ASC's meeting with senior partners of the top 24 accounting firms in June.

The ASC has been restructured to overcome the danger that standards would be seen by the public as a "crutch for weak auditors." It now includes users of accounts, representatives from Whitehall and a legal adviser.

Mr Davison explained to the partners that there should be a clear distinction between disclosure requirements and accounting and that good disclosure was no substitute for good accounting. The new ASC would concentrate on the latter. There would be fewer standards but ones which were unambiguous. Where there is contention, where "best practice" has not yet emerged, then the lower form of pronouncement, a SORP, should be used.

The first SORP is likely to be on the subject of pension scheme accounts. It is a specialised area of accounting prepared mainly for use by pension scheme members and employers and so fits into the category of "lesser" matters, suitable for the SORP treatment.

A SORP is non-mandatory, though companies will be encouraged to comply with their provisions. There will be no sanctions for non-compliance, nor is disclosure required. Besides pension funds, other subjects which seem likely candidates include segmental reporting and charities.

In another step towards devolving the standard setting role, responsibility for the development of good accounting practice for specific industries will be given to the industry groups themselves. They will prepare SORPs as required for their industry, whether oil and gas or shipping, and have it approved or "franked" by the ASC.

Meanwhile, the main standard setting process is going to be speeded up. The present exposure draft will be replaced by a Statement of Intent giving a broad outline of the proposed content of the standard. The intention is to elicit discussion on the ideas and principles behind the standard rather than an argument over detail.

The first example of a Statement of Intent was published in July on "ED 30 accounting for goodwill, a decision on future strategy." It revealed that "on pragmatic grounds" the ASC had decided to allow an exception to the general rule that goodwill should be eliminated from a balance sheet by an immediate write-off to reserves. The exception would be "a narrow gateway," rarely used, allowing amortisation through the profits and loss account, a practice which is mandatory in the U.S. and Canada.

The proposed standard on leasing SSAP 21 has been making its stately progress through the old consultation procedures. As an essential feature of "true and fair" accounts it cannot be demoted to a SORP, and as ED 29 it has progressed too far to take the short-cut of a Statement of Intent.

Still, it is nearing the end of the road, having only a fiscal obstacle in Ireland to overcome before gaining the necessary approval of all six bodies in the CCAB.

The Irish Institute supports the proposed accounting treatment outlined in ED 32 but fears the taxation and investment consequences for lessors who currently receive allowances and subsidies from the Revenue which under the standard would probably fall only to lessees. The next Budget in Ireland is likely to correct the anomaly and allow the implementation of the standard to proceed.

The reforms in standard-settings have not been universally welcomed. Indeed many accountants have expressed their concern at the trend to non-mandatory pronouncements, seeing it as a step backwards for the profession, an easy option in the face of intransigence from within and without the profession.

They agree on the need for unambiguous standards but not if they are to be attained only by reducing the standard to a bald statement of principle. The ASC was set up in the first place to bring discipline to the accounting process and to bring recalcitrant companies into line. A return to a reliance on non-mandatory compliance will allow such companies to shirk their responsibility to shareholders and other users of their accounts.

The future of the whole standard setting process has become caught up with the future of just one standard, SSAP 16. It would be a shame if disillusionment with inflation accounting, a concern that "people are bored with it," should dictate the shape of all standards to come.

Liaison group to promote best practice and quality

Public sector

ROBIN PAULEY

SINCE Mr Michael Heseltine, former Environment Secretary, told a House of Commons Select Committee during the Government's first administration that the quality of public sector accountancy was "abysmal" a large number of initiatives have been taken to improve both its practice and its image.

The Accounting Standards Committee, a technical committee of the six professional accountancy bodies in Britain and Ireland, has mainly been involved in the private sector in the development of procedures for "true and fair" company accounts. However, some of its statements of standard accounting practice (SSAPs) have been adopted by the public sector, where relevant, and there has been close liaison between, for example, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the private sector institutes on areas of common principle and practice.

Now the ASC has gone a step further by establishing a public sector liaison group to promote best accounting practice throughout the public sector, co-ordinate research, act as a forum and provide as a link with those responsible for accounting standards in the public sector. The immediate interest areas will be nationalised industries, local authorities, the National Health Service and local government.

The chairman is Mr Derek Fowler, vice-chairman of the British Railways Board, and the five other members named so far are Mr Brian Currie of Arthur Andersen; Mr David Dewar, assistant Auditor General; Mr Michael Mallett of James Neill Holdings and the Confederation of British Industry; Mr Ken Morris, Treasurer of Shropshire Health Authority and Mr Brian Tanner, Treasurer of Somerset County Council. A Treasury official will also be appointed to the group.

Greater emphasis

The increasing attention paid in this sort of way to the quality of public sector accounting and audit reflects the much greater emphasis laid on the subject since the Conservatives were elected to power in 1979. Numerous Commons Committees have inquired into the conditions of audit in various parts of the public sector and the Government has launched a concerted campaign to improve internal audit standards and pay more attention to value for money audits within central government departments.

Apart from promises to recruit more professional accounting staff to central departments and improve training this has also had an effect on departmental policy. All departments, for example, are now required to prepare financial management reports which are supposed to explain to the Treasury how each government department is managing and accounting for its money and the steps and procedures it proposes to evaluate performance and value for money.

The area of most activity in changes to public sector auditing has been in the field of local government, which spends around £20bn a year on current expenditure and whose total current and capital programmes now account for about a quarter of all public expenditure.

Mr Noel Hepworth, the energetic director of CIPFA, has spent a great deal of time in recent years on the application of SSAPs to local authority accounts. Of the 19 SSAPs so far issued Nos. 3, 8 and 15 have no relevance for local government and Nos. 7 and 11 have been withdrawn.

SSAPs 2, 4, 5, 6, 8, 10, 13, and 15 have been adopted for local authorities and guidance notes have been published for their use. Three new SSAPs to be adopted—to take effect for accounting periods commencing on or after April 1 1982—are SSAP 9 on stocks and work in progress, SSAP 17 on accounting for post-balance sheet events and SSAP 18 on accounting for contingencies.

SSAP 9 sets out the principles for computing the amount at which stocks and work in progress are included in financial statements and says that where the financial amounts involved are material the cost of goods and materials charged to revenue on purchases which have not been consumed by the accounting date should be carried forward to be charged in the accounting period in which they are consumed. The accounting policies which have been used in calculating cost, net realisable value, accounting profit and foreseeable losses should be stated in a note to the accounts.

SSAP 17 sets out the principles to be used in accounting for material events, favourable and unfavourable, which occur between the balance sheet date and the date on which the financial statements are approved. For local authorities the date corresponding to the date on which a company's board of directors approves the financial statements is the date on which the responsible financial officer signs the balance sheet or record of receipts and payments.

SSAP 18 sets out the principles for accounting for contingencies existing at the balance sheet date which have not been resolved by the date on which the financial statements are approved.

The only SSAPs still remaining to be considered for their relevance to local authority accounts are 1, 12, 14, 16 and 19. Consideration of 1 and 14 has been deferred because of the debate which might take place on consolidation of local authority fund accounts. That leaves 12, 16 and 19, which are all concerned with depreciation and current cost accounting.

Local authorities are currently reviewing the capital accounting systems and until that is complete there will be no movement on the SSAPs. In addition SSAP 16 on current cost accounting has become the centre of a long-running and controversial row in the private sector, with the ASC being inundated with demands for its abolition or, at least, reform beyond recognition. Local authorities will sit tight with their heads down until that has been sorted out.

One of the most important public sector audit developments this year has been the start of operations by the Audit Commission under the chairmanship of Mr John Read, a chartered accountant and chairman of the LEP transport and freight group.

The Audit Commission for local authorities in England and Wales is an independent body of 15 members set up under the Local Government Finance Act 1982. It is responsible for auditing the accounts of local authorities and helping them ensure that their services provide good value for money. The Commission also decides whether a private sector firm or the district audit service should be the auditors for each council.

So far auditors have been appointed to 400 councils, of which 73 have come from private sector firms: eventually the private sector's share of local authority auditing fee income will be around a third. Private firms which have picked up local authority audits include Armitage and Norton, Arthur Andersen, Arthur Young, Binder Hamlyn, Coopers and Lybrand, Deloitte Haskins and Sells, Ernst and Whinney, Peat Marwick Mitchell, Robson Rhodes, Thomas McIntock, Thornton Baker and Touche Ross.

Not all has gone as easily as some private sector firms were expecting, however. Mr Read has made it unambiguously clear that he will not tolerate anything from the private sector that either reduces the quality of audit or threatens the independence or perceived independence of audit. Some firms with poor presentations have not therefore won all the audits they might have expected.

Several firms have also been infuriated by Mr Read's resolute stand against the idea that the same firm can be a council's auditor and tender for the much more lucrative consultancy work. Some firms have separate consultancy firms under their umbrella and were hoping this would be a way round but Mr Read, acutely aware that this was the source of greatest public concern about the role of private sector auditors and the Commission, would have none of it.

Allay anxiety

It means, for example, that having been awarded Birmingham's council audit, Price Waterhouse is barred from any of the many expensive consultancy contracts for the council. The firms may be piqued at the loss of substantial income which they had hoped would spin off the back of winning the audit contracts but Mr Read's stand against them on this issue has done more than anything to confirm the independence of public sector audit and allay anxiety about conflict of interests.

The Commission, having established that point, is now branching out into some independent studies concerned with central/local government relationships. They will cover the impact on economy, efficiency and effectiveness in the management of local government resources, of changes in the rate support grant formula and settlement levels and of year-end controls and capital spending allocations.

Such independent inquiries into politically sensitive issues such as these indicate that the Commission is not a puppet of government, as many critics had feared before it was established, and that it could become a considerable force of influence in the public sector in the years to come.

Decision pending on an emotive issue

SOON the English Institute of Chartered Accountants will be taking a decision on the subject of training students outside professional practice—an issue which raises suprisingly strong emotions within the ranks of chartered accountants.

As things stand, all members of the English Institute must qualify by spending at least three years as students in practising offices. They cannot train (apart from temporary secondment) in industry or commerce — nor, incidentally, can they train abroad.

This contrasts with the approach of the Association of Certified Accountants, which has a well-established system of training in industry, and even the Irish Institute of Chartered Accountants has a pilot scheme.

Elsewhere, of course, the Institute of Cost and Management Accountants developed precisely out of the need for professional qualifications among industrial accountants, although it was recently rebuffed in its attempt to upgrade the title of its members to that of chartered management accountants.

The issue has long been debated within the English Institute because of the discrepancy between the training given and the final careers which many chartered accountants take up. Only half the English Institute's members who are professionally active within the UK work in professional practice. The other half are spread throughout industry and commerce.

Although the Council of the Institute has always been dominated by partners in practising firms, in recent years an industrial members' lobby has been formed and independent groups like the Hundred Group of leading finance directors (not quite all of whom are chartered accountants) have begun to make their voices heard.

Last December the pressure groups had become powerful enough to persuade a two-thirds majority of the Council to agree to take the first steps towards permitting training outside practising offices.

Accordingly the Council has embarked upon a process of consultation, the first stage of which should be completed by the end of this month. November 30 is the deadline for responses to letters sent out last July by the Institute's President, Mr Eddie Ray, to members and also to the chief executives of the 1,000 biggest British companies.

Traditional route

Those in favour of broadening the training base of chartered accountancy argue that the Institute should not take it for granted that membership will remain the most highly regarded specialist qualification for a business career. High fliers in the past have been prepared to endure the traditional training route, even though its relevance may have been questionable. In future, aspiring young businessmen may consider other alternatives.

The business schools are developing steadily, for instance, even if they do not yet have the prestige of their American equivalents. Companies are sometimes finding it more effective to recruit top graduates from university and prepare them for other accountancy qualifications than to recruit chartered accountants.

It is argued that an industrial route to chartered accountancy would serve to underpin the attractions of the qualification and also act as a bridge between the practising and industrial memberships.

On the other hand it can be argued that to divide the training procedure would contribute to the already troublesome divisions within the Institute's membership. Such problems are of course being intensively debated following the publication earlier this year of the Tricker report on the English Institute's structure.

Moreover, there is a strong traditionalist feeling within the Institute, placing great emphasis on the common experience which all chartered accountants have of early training in a

Training in industry

BARRY RILEY

practising office. Professionally, it is suggested, it is very important to have experience in working with a wide variety of clients, giving a breadth which cannot be obtained by training only within one company.

At this stage it appears that responses from members to the President's letter are roughly equally divided for and against training in industry. If that remains the final outcome by the end of the month the Council will probably feel justified in going a stage further and examining practical questions.

But in due course the proposals would have to be approved by a special meeting of members, something which would require a two-thirds majority of those voting. The Council will need reasonable evidence that the expense of such a procedure would be worthwhile.

Some of the practical issues are likely to be highlighted by the chief executives' questionnaire, which has had only an incomplete response so far but which has already served to highlight one important aspect—that the training capacity of companies is small, so that hardly any think they could cope with more than two chartered accountancy students each year.

This can be contrasted with the substantial numbers recruited by the big professional firms. For instance, a firm like Coopers and Lybrand is taking in as many as 250 students each year. So there is an argument that the debate is all a storm in a teacup, in that even if an industrial training route were set up the numbers taking this option would be comparatively tiny.

This reflects the fact that few industrial or commercial companies employ more than a handful of chartered accountants, who would be primarily responsible for the training of any students. However, this would not be an insuperable problem; small practising firms are in much the same position but group training schemes have been developed for them and could no doubt be set up for industrial companies too.

Institute officials believe it is unlikely that more than 150 industrial route students would enrol in the first year. But this would not be a reason for abandoning the idea so long as it had the broad support of members of the Institute.

The move should be seen as potentially part of an already changing picture of the training of chartered accountants. At one time most practising members of the Institute undertook the training of one or more articled clerks. But by 1982 only 1,320 out of 11,400 firms had students under contract.

The top 20 firms are now training half the students. However, these firms have many different offices and it remains true that 46 per cent of students are trained in offices where there are six or fewer partners.

What is seen as vital, for training in industry as well as in practice, is that there should be a stable work environment with a commitment from a chartered accountant to supervise the student. It is the quality of supervision rather than the standard of examination which is seen as guaranteeing the extra status of the chartered accountant's qualification.

If the Council is satisfied with the response from members the next step will be to seek formal approval in a resolution to change the Institute's bye-laws. A special meeting would be convened, probably at the time of the annual meeting in June next year. Since the Institute's special meetings have tended to be controversial in recent years and have revealed fierce grasroots reactions, it is understandable that the Council is being very cautious in its approach to what in some respects could be regarded as a comparatively minor matter.

If the vote were favourable, the Privy Council would need to give its consent (not necessarily a foregone conclusion if there were opposition from other accountancy bodies) and much work would have to be done on regulations and documentation. So September 1985 would be the earliest practicable date for the first registrations of students in non-practising offices.

Small firms' campaign

CONTINUED FROM PREVIOUS PAGE

David Bertram, Beattie is just such a firm. It has four partners in High Wycombe and Reading, average age around 35, all of whom spent time with Thornton Baker. One is an experienced tax consultant, some have had lengthy stints in industry, including Mike Beattie who was a financial controller for several years. He feels that the experience allows him to have a deeper involvement in clients' business, making it easier to communicate and understand their needs.

"Many small firms are small in their attitudes and perspective. We have all audited sizeable businesses in our time and feel we can take on clients with a large turnover. We have built up a network of people we can refer to if there is an area we feel we are not competent to advise on."

Mr Beattie favours a loosening of publicity rules to overcome the image of slow service, expensive fees and stuffy attitudes which is so often associated with the chartered accountant. "If we feel we are good at certain things, we would like to be able to say so. And we will quote a fee beforehand and stick to it."

He is proud of his professional membership and recognises that the Institute depends on the active involvement of its members to represent them accurately and effectively. "The problem for a small firm is that we have too many demands on our time to get involved in Institute activities, though we have one partner who is secretary of his local district society," Mr Beattie's comments are echoed by many other small practitioners.

While David Bertram, Beattie, was only recently established there are other small firms which have a long history and, proud of their independence, have turned down approaches from other firms. The City-based firm of Dixon Wilson is one such.

Dixon Wilson developed a high degree of family estates and trust work over the years which required a high degree of personal contact. It has built on this base and, as it has branched into other areas of specialisation, especially taxation and insolvency, it has kept an above-average ratio of partners to staff.

Partners have also been encouraged to take outside directorships, giving them further practical operating experience which can then enhance the input they give to clients.

There are hundreds of other firms up and down the country each of which, in its own way, decides how best it can use the skills and resources in house. The emphasis on practical experience and providing an input which goes beyond the detached annual audit visit is obviously increasing. It is reflected in the growing demand for a formal element of industrial training in the professional examinations of the Institute. Certainly most young accountants who finally leap over the final hurdle of the professional exams are strongly of the opinion that all that effort should be directed more broadly than towards simple book-keeping and stock checks.

Computer aids coming to the fore

Technology

NICK de CENT

NEW TECHNOLOGY is changing the once staid business of accountancy. To survive in the present market accountants, like everybody else, are having to sharpen their business efficiency.

This year's Accountants Exhibition at the Barbican underlines the trend. Dominated by computer firms specialising in accountancy applications, the show is full of the latest hardware and software.

Computers are finding favour with accountants as they are with other businessmen. Hence, as is reflected in the exhibition, everyday reporting systems, many based on micro-technology, are much in evidence.

On show at the exhibition will be a *sprinkling of systems* aimed at the accountant in practice. But as recent surveys by the professional accountancy Press have shown, at least half of the accounting firms in the UK have still to get to grips with computers.

But there is an increasing band of accountants who have taken it upon themselves to write their own software, perhaps because they just like playing around with computers but more likely because they sense a gap in the market with too few programs written from the point of view of the accountants who will be using them.

Four of the member bodies of the Consultative Committee of Accountancy Bodies (the umbrella organisation for the UK accountancy profession) have set up a computing liaison committee to advise the member bodies and give a voice to their views on trends in the computer world.

Despite its computer liaison committee, however, the accountancy profession's response to the new technology continues on a largely ad hoc basis, with the large international accountancy practices paving the way.

A partner at the Big Eight *accountancy firm of Deloitte* Haskins and Sells, Eddy Peers, sees three main areas in which the "computer revolution" is affecting the work of accountants. First, in "bread and butter" auditing work the computer is playing a much more significant role than even two or three years ago.

Secondly, the computer is making it much easier for the accountant to keep an eye on his practice. In common use are various computer systems to help the busy partner keep track of time records and to make the administrative function run smoothly.

More advanced are the grandiosely termed "decision-support systems" designed to help the accountant (or executive) make strategic decisions to further the cause of the business.

Finally, there are "practice support systems," which include the so-called "expert systems" to aid tax planning and similar tasks. These are currently all the rage in other professions—for example, with American doctors using computers to aid diagnosis. But the backlash has started with worries that too much reliance is being placed on machine print-outs.

One way in which the majors *have found computer systems* are affecting auditing is, in the need to train accountants "in the nature of computer systems." To evaluate a company's internal control the auditor must look for weaknesses in the computer system.

This means looking at "types of authorisation" within the computer system, going back to the original creation of the program, looking at the role of technicians in the system, and the effectiveness of passwords.

Auditors can use the computer to help them in the verification of accounts which in a concern of any size will almost certainly be based on some sort of computer system. Since the mid-1960s the large accountancy firms have been using audit software to interrogate clients' computers.

"In the early days the programs just used to mimic a computer operator. But now the computer programs do things which the accountant could not hope to do as part of an audit," claims Peers.

Attempts to resolve deepset differences

Europe

BARRY RILEY

THE TENSION between British accountants and many of their Continental counterparts was visible once again at last month's congress in Strasbourg of the Union des Experts Comptables, which represents accountancy bodies throughout Europe.

Concerned at the ineffectiveness of the UEC (of which a symptom was the sparse attendance at Strasbourg) and the *growing feeling that money is* being wasted in supporting it, the English Institute of Chartered Accountants, supported by other UK accountancy bodies, put forward proposals to review the organisation of the European profession. This might well result in a merger of the UEC with the Groupe d'Etudes, a specialist body which deals with European Community directives.

Other European accountancy bodies have agreed to discuss the proposal but there is some concern on the Continent that the UK profession—much bigger numerically than its counterparts in other Community countries—is being too assertive.

The British argument is that there is a clear need for a strong European body which will give Europe a powerful voice against the Americans on the one hand and the increasingly vocal Third World on the other. At present the UEC is not fulfilling such a role effectively.

But will it be possible to forge the required degree of unity among the different factions of the European profession? There remain fundamental differences of approach which the programme of European Community company law directives has highlighted rather than bridged.

Continentals perceive that the British accountants are pulled strongly towards the Americans, with whom they have strong historical, philosophical and commercial links. In several countries, *notably Germany, there is* entrenched opposition to this Anglo-Saxon pressure.

Member countries of the Community can be divided into three camps in terms of accountancy politics.

The UK, the Netherlands and Ireland have highly developed capital markets and accountants there tend to apply a large degree of judgment in their approach to financial reporting. The need for accounts to reflect economic realities—so that users can make appropriate choices—has led to the principle of the "true and fair view" which overrides specific rules. But the concentration on judgment has meant that levels of disclosure are often poor.

The Germanic tradition is quite different—but equally highly developed and strongly supported. The finance of companies in Germany is dominated by the banks, with only a quite small stock market. Company reporting is therefore orientated towards the banks and other creditors — who are concerned with security and prudence much more than with economic performance. In Belgium there are large, powerful holding companies which have little interest in encouraging a high standard of published accounts.

The Germans have a prescriptive approach. Rules take priority over judgment. Characteristically, assets are undervalued and profits are protected by hidden reserves. However, there is often much more detail made available for those who are capable of making use of it.

The third camp takes in most of Southern Europe, where business and commerce has traditionally been dominated by secretive family controlled trusts. There has been no great tradition either of raising external capital or of paying taxes. Accounting in Italy or Spain is therefore comparatively undeveloped.

Incidentally this has created opportunities in Italy and Spain for the big international accounting firms, which have picked up a number of clients among the largest companies which are prepared to adopt international accounting standards in order to be able to tap the overseas capital markets. But such attitudes have not spread widely through the the Southern European economies.

France is not easy to place precisely within this scheme of things. It leans towards the prescriptive approach but the profession tends to be much more pragmatic than its German counterpart. Large company accounts are much more variable in quality than in other countries, some being of a very high international standard while others are rather primitive.

Developments have been influenced by various political moves to stimulate the Paris Bourse, with a leading role being played by the securities markets body, the Commission des Operations de Bourse.

The first big battleground for Community accountants over harmonisation was the Fourth Directive on company law. Originally, before British entry to the Community, it took a strongly Germanic line but its final version embodied the requirement for a true and fair view. However, this has still not been written into German legislation, as it should have been.

With such a deep and lasting split in the European profession, it is worth asking just what the future of harmonisation might be. Does harmonisation mean the adoption of the same principles of accounting? Or does it just mean developing ways of learning to co-exist with different principles?

An ambitious investigation of the issues involved in this fundamental dispute between European accountants is being conducted by Mr Edmond Grace of the Manchester Business School. With financial support from the Bank of Ireland he aims to make progress towards a system of generally acceptable accounting principles. He hopes to achieve a common understanding of the purpose of accounts and what they can and cannot do.

To this end he has set up panels of accountants, auditors, financial analysts, lawyers and academics in a number of different countries of the European Community.

Mr Grace starts from the viewpoint that "accounts are to make markets work better" and that it will be possible to find a common core of accounting principles in each country. A draft code of true and fair accounting has been prepared.

But a great deal of detailed argument lies ahead. "I believe that the true and fair view has to be broken down into subordinate concepts," says Mr Grace. He has defined ten groups of ideas for investigation, ranging from profit and financial position to the purpose of auditors' reports.

He argues that there must be a reason for drawing up accounts in a particular way and that if the principles behind them in different countries can be analysed then there should be a way of harmonising the principles. He sees this as being much more constructive than the present legalistic Community approach, which is to seek agreement on procedures but not on principles.

Mr Grace's main problem will of course be the great Anglo-German divide. Although sometimes castigated by foreigners as being obsessed with rules, the German *Wirtschaftsprüfer* have a very strong tradition of their own and are sensitive about the arrogance of the much bigger Anglo-American profession.

They can point out with some justice that there is a lot to be desired in British company accounts—where the practice often *falls* short of the principle. They have been inclined to argue also that German industry has been much more successful in the long run than British industry—casting doubt obliquely on the supposed advantages of British accounting practices.

But this was never more than a superficial debating point and with German industry now falling behind in newer growth sectors the arguments for a system more orientated to the capital market are becoming more powerful.

However, the politics of international accounting are extremely delicate. Edmond Grace insists that "harmonisation shouldn't be one-way traffic." He suggests that British accountants should admit more candidly that the Fourth Directive has brought important challenges for them too.

Need to stiffen legal framework

Insolvency

RAY MAUGHAN

ALMOST 18 months after the publication of Insolvency Law and Practice by the Cork Com*mittee, headed by Sir Kenneth* Cork, practitioners are still waiting for Government action on the Committee's universally welcomed proposals.

The Minister responsible has changed twice in the intervening months, which may account for some of the delay, but insolvency experts are increasingly concerned that several aspects covered by Cork should be enshrined in law most urgently.

Their best hope now seems to be that a White Paper will appear shortly after next Easter. The Paper is almost certain to meet most, if not all, of the Committee's proposals but practitioners recognise that a thorough overhaul of insolvency law and practice in the UK could well take up to 8 years. Most responsible accountants want a short Bill now to redress some of the salient abuses appearing in the receivership system.

A short Bill to straight-jacket the activities of what are widely known as cowboy liquidators is seen as vital to turn back a tide of disappearing assets which, in the words of one prominent insolvency partner, "is reaching the proportions of a public scandal."

Cork's proposals embrace a qualification and disciplinary framework for all receivers and liquidators, although this would not necessarily come under the direct control of the recognised accounting bodies.

Handling insolvency, as a profession, has been one of the few growth areas of business life in the past three years of devastating depression. But the incidence of well publicised company failures may be about to ease. Mr Richard Turton, who heads the insolvency department of Spicer and Pegler, calculates the wave of business failures may have peaked in the early months of this year after two years of "massive growth."

He believes that the days of the really spectacular corporate collapse are probably numbered. However, if the economy is fitfully recovering, as many businessmen are beginning to hope, the upturn brings with it new problems. Higher working capital requirements, new marketing and promotional campaigns and bigger wage demands will increase the financial strains on companies just at the moment when sales begin to pick up.

The hope must be that remedial action, taken early, will, as Christopher Morris, national director of Touche Ross's insolvency department puts it, enable companies "to weather the storm." The anecdotal evidence is still somewhat patchy but it certainly does seem that the need for early preventative action is properly recognised and the climate in which company rescues are attempted is growing more temperate.

Insolvency partners believe that the banks and company managements have developed a clearer understanding of the problems and of what can be achieved by prompt monitoring and appraisal procedures.

For quoted companies, published accounts and knocked-out share prices provide the clue to what may be going on below the surface but, in industry as a whole, two complementary and encouraging themes have developed.

Auditors are coming closer to their clients and, rather than just verifying the "true and fair view," are encouraged to detect and give advice on emerging problems. The major banks too are alive to client problems and will introduce independent accountants for an objective appraisal of trading difficulties and what may be done to solve them.

In not a few recent cases there has been encouraging evidence of a spirit of healthy liaison between the clearers, merchant banks, accountants and many, but by no means all, big institutional funds in the City.

The Bank of England can claim a substantial proportion of the credit for this emerging spirit of collaboration. Its role has been very much one of a clearing house for ideas and partnership by all sides of the financial restructuring process.

There are, not unnaturally, some instances where one side or another has been dissatisfied with the financial community's response to corporate weakness. The case of Stone-Platt is now some way behind us but the ramifications of its dismal collapse, despite the efforts of the institutional fund managers to shore up the business, are certain to remain a talking point as long as the receivership mechanism for ailing companies exists in its present form.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday November 8 1983

New Zealand offshore oil find brings scramble for stocks, Page 30

WALL STREET

Tough week tackled with wariness

FINANCIAL markets on Wall Street found it hard yesterday to make a start to what promises to be a difficult, as well as foreshortened, trading week, *writes Terry Byland in New York.*

The bond market, which will be closed today and on Friday, braced itself for the outcome of the first auction in the Treasury's $16bn quarterly funding programme, postponed from last week by the Senate's delay in extending the debt ceiling.

Debt markets were also unsettled by renewed nervousness over inflation prospects.

In the stock market an early advance led by the technology stocks soon faltered. Leading stocks drifted down throughout the remainder of the session, and by the close the Dow Jones industrial average showed a net fall of 3.45 to 1,214.84. Turnover was unimpressive, with only 69.4m shares traded. Over the broad range of the market sellers held sway, and there were 970 stocks with losses against only 609 with gains.

Among the major industrial issues, Chrysler opened higher on settlement of the week-long strike at its Twinsville, Ohio plant and, after a brief doubt over the likely effects of the stoppage on final quarter earnings, shares advanced to $27¾, a net $1¼ up. Ford at $63⅞ firmed $⅛.

General Motors, however, shed $1½ to $75¼ as investors backed away pending further developments in the problems at IBH Holdings, the West German construction equipment group in which the U.S. car manufacturer has a 20 per cent stake as well as debt involvement.

The threatened collapse of IBH, number three in the world construction equipment league, was seen as good news for its rivals. Caterpillar Tractor, the world leader in the industry, put on $1½ to $43¼ helped by a recommendation from Prudential Bache.

IBM shed $⅛ to $122⅛, indicating renewed investment interest as its new personal computer was assessed by the stock market. Digital Equipment, number two to IBM in data processing, added $1½ to $67¾.

The personal computer sector looked brighter, Commodore International recouped a further $1⅛ to $32⅞ and Texas Instruments at $127¼ put on $1⅛ in a further recovery from its decision to quit the home computer business.

Gulf Oil at $42⅞ shed $1⅝ as investors took the message that the board intends to fight off the unwanted attentions of Mr Boone Pickens of Mesa Petroleum. Mesa added $⅛ to $13⅞.

Defence stocks featured a drop of $¾ to $39⅞ in Lockheed, and other weak industrial issues included Minnesota Mining, $1⅝ off at $83⅞, Monsanto $¾ off at $105, and International Harvester $⅜ off at $12⅞.

A. H. Ahmanson, the major savings and loans group, shed $⅞ to $26⅞ despite record earnings, while a turnround into profit left Black and Decker $⅛ down at $24⅝.

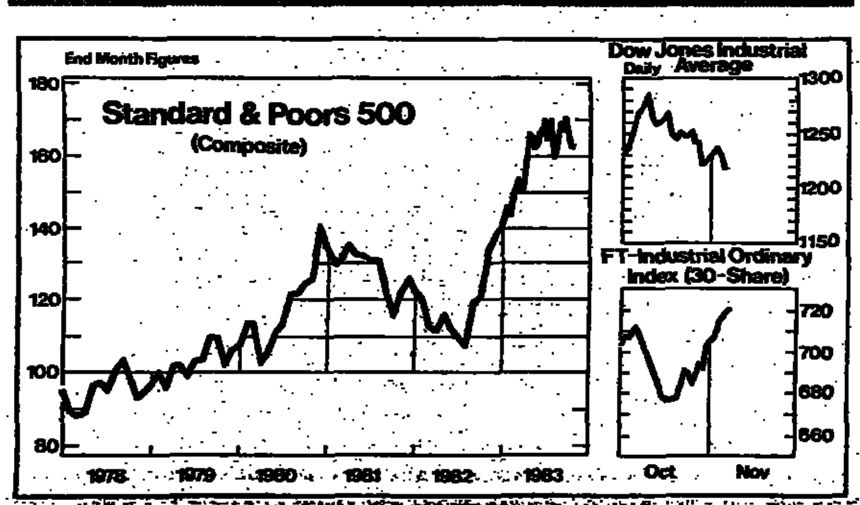
News was due later from the auction of $6.5bn in three-year Treasury notes, the opening shot in the Treasury's financing strategy which is still in some doubt despite official determination to proceed.

Treasury bill discounts extended the falls which followed Friday's news of a rise in M 1 money supply, putting the three-month bill at 8.76 per cent and the six month at 8.87 per cent – seven basis points down in each case.

The 12 per cent long bond of 2013 edged higher to 100 27/32, a gain of 1/32 from Friday to yield 11.89 per cent, with the market abuzz with fresh opinions on inflation after a warning on interest rates from Dr Henry Kaufman of Salomon Bros.

Municipal bonds were additionally subdued by today's local elections which focus on hefty financing needs of the authorities, with New York's proposed $1.25bn issues likely to prove an outstanding feature.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 7	Previous	Year ago
NEW YORK			
DJ Industrials	1219.21*	1218.29	1051.78
DJ Transport	583.05	586.6	452.19
DJ Utilities	137.57	138.58	122.55
S&P Composite	161.91	162.44	142.16
LONDON			
FT Ind Ord	721.4	718.3	615.6
FT-A All-share	447.29	447.12	381.91
FT-A 500	484.63	483.91	426.32
FT-A Ind	440.65	440.92	397.38
FT Gold mines	474.5	484.8	373.7
FT Govt secs	81.9	82.02	84.8
TOKYO			
Nikkei-Dow	9316.21	9317.2	7528.96
Tokyo SE	682.62	682.31	554.9
AUSTRALIA			
All Ord.	693.3	688.9	523.7
Metals & Mins.	517.9	509.2	439.1
AUSTRIA			
Credit Aktien	53.92	53.73	47.68
BELGIUM			
Belgian SE	126.36	123.31	99.12
CANADA			
Toronto Composite	2398.6	2397.6	1882.2
Montreal Industrials	419.59	420.94	333.62
Combined	404.73	405.28	318.71
DENMARK			
Copenhagen SE	194.66	196.6	92.46
FRANCE			
CAC Gen	140.2	140.5	101.5
Ind. Tendance	148.5	148.7	120.9
WEST GERMANY			
FAZ-Aktien	332.1	334.81	232.74
Commerzbank	987.3	994.9	704.2
HONG KONG			
Hang Seng	896.53	889.49	859.92
ITALY			
Banca Comm.	186.4	186.89	164.34
NETHERLANDS			
ANP-CBS Gen	137.0	136.3	99.6
ANP-CBS Ind	110.0	109.9	75.8
NORWAY			
Oslo SE	196.77	199.37	105.05
SINGAPORE			
Straits Times	933.53	940.3	740.64
SOUTH AFRICA			
Golds	698.1	706.3	691.5
Industrials	879.6	879.7	680.4
SPAIN			
Madrid SE	closed	128.3	103.4
SWEDEN			
J & P	1396.18	1399.67	730.32
SWITZERLAND			
Swiss Bank Ind	352.1	353.9	288.4
WORLD	Nov 4	Prev	Yr ago
Capital Int'l	177.4	178.4	149.0

GOLD (per ounce)

	Nov 7	Prev
London	$378.625	$382.375
Frankfurt	$379.00	$381.00
Zürich	$379.50	$382.50
Paris (fixing)	$379.63	$385.31
Luxembourg (fixing)	$377.25	$384.00
New York (Nov)	$381.40	$378.10

* Indicates latest pre-close figure

CURRENCIES

(London)	U.S. DOLLAR Nov 7	U.S. DOLLAR Previous	STERLING Nov 3	STERLING Previous
$	—	—	1.484	1.487
DM	2.6815	2.6685	3.98	3.97
Yen	237.05	236.45	352.0	352.0
FFr	8.14	8.1075	12.0775	12.055
SwFr	2.179	2.169	3.235	3.2275
Guilder	3.0045	2.9890	4.46	4.4475
Lira	1622.0	1617.5	2406.5	2404.5
BFr	54.37	54.14	80.7	80.5
C$	1.23575	1.23425	1.833	1.835

INTEREST RATES

	Nov 7	Prev
Euro-currencies (three month offered rate)		
£	9⅝	9⅝
SwFr	4¼	4 5/16
DM	6 1/16	6 1/16
FFr	13¼	12 13/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	10 1/16	9 15/16
6-month U.S.$	10⅜	10⅛
U.S. Fed Funds	9 7/16	9 5/16
U.S. 3-month CDs	9.55	9.6
U.S. 3-month T-bills	8.75	8.92

U.S BONDS

Treasury	Nov 7 Price	Nov 7 Yield	Prev Price	Prev Yield
10½ 1985	99 19/32	10.73*	99 19/32	10.71
11⅛ 1990	99	11.73*	98 29/32	11.73
11⅞ 1993	100 19/32	11.82*	100 9/32	11.82
12 2013	100 27/32	11.91*	100 29/32	11.91
Corporate	**Nov 7 Price**	**Nov 7 Yield**	**Prev Price**	**Prev Yield**
AT & T				
10⅜ June 1990	92⅞*	11.95*	92⅞	11.95
3⅞ July 1990	67¾*	10.85*	67¾	10.85
8¾ May 2000	75½*	12.25*	75½	12.25
Xerox				
10⅜ March 1993	91¼*	12.15*	91¼	12.15
Diamond Shamrock				
10¾ May 1993	90*	12.45*	90	12.45
Federated Dept Stores				
10¼ May 2013	85⅜*	12.45*	85⅜	12.45
Abbot Lab				
11.80 Feb 2013	94⅞*	12.45*	94⅞	12.45
Alcoa				
12½ Dec 2012	94⅝*	12.95*	94⅝	12.95

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
December	70–03	70–04	69–26	69–31
U.S. Treasury Bills (IMM) $1m points of 100%				
December	90.96	90.97	90.85	90.88
Certificates of Deposit (IMM) $1m points of 100%				
December	90.30	90.31	90.20	90.24
LONDON				
Three-month Eurodollar $1m points of 100%				
December	90.04	90.05	89.93	90.07
20-year Notional Gilt £50,000 32nds of 100%				
December	107–27	107–27	107–12	108–00

COMMODITIES

(London)	Nov. 7	Prev
Silver (spot fixing)	593.95p	599.05p
Copper (cash)	£907.75	£919.00
Coffee (Nov)	£1826.50	£1834.50
Oil (spot Arabian light)	$28.45	$28.45

LONDON

Rate fears prove no deterrent

EQUITIES continued their advance in London yesterday, undeterred by predictions that short-term UK interest rates were unlikely to fall this year.

Blue chip industrials advanced for the sixth consecutive session and the FT Industrial Ordinary index closed 3.1 up at 721.4.

One index constituent, Lucas Industries, ended up 5p at 153p following the announcement of preliminary results slightly better than the break-even forecast by many analysts.

South African gold and related issues had another uneasy trading session with Australians providing the only good performances in the mining markets.

Details, Page 31; Share information service, Pages 32–33.

HONG KONG

BUSINESS increased among second and third-line Hong Kong stocks while blue chips attracted moderately active two-way trade. Resistance at the 900 level of the Hang Seng index allowed it to finish only at 896.53, up 7.04.

Initial local demand was offset by later selling ahead of talks on the colony's future next week. Good demand, however, was found for Hongkong and Shanghai Bank which added 30 cents to HK$7.50 ex-dividend.

Cheung Kong put on 15 cents to HK$7.55 but Swire Properties fell the same amount to HK$5.10.

SINGAPORE

A LOWER Singapore trend was subdued in the extent of price falls it inflicted, while isolated good gains were to be found at the same time as a 6.77 dip in the Straits Times industrial index.

Pan Electric, which as the day's most active accounted for 1.5m of the total 8.5m shares traded, jumped 20 cents to S$3.42. But United Industrial resumed to close at S$1.34 against a pre-suspension S$1.43. Prima dropped 20 cents to S$6.30 and Jurong Cement 14 cents to S$4.60.

AUSTRALIA

GAINS by mining issues with uranium interests led Sydney higher in anticipation – later proven correct – that the ruling Labor Party would approve plans to exploit the country's reserves.

Western Mining, which will lead a big prospect at Roxby Downs, picked up a moderate 6 cents to A$3.58 and EZ Industries 10 cents to A$5.66, but better advances were accorded to Energy Resources, 18 cents ahead at A$1.75, and Peko-Wallsend, up 26 cents to A$6.

Steady oils showed Santos 8 cents stronger at A$8, while outside the resource sector property and contracting stocks eased but banks and publishers improved.

SOUTH AFRICA

GOLD SHARES drifted easier in very light trading in Johannesburg, in response to the weaker bullion price which remained below $380 an ounce.

Among heavyweight producers, losses of R1 were recorded by Hartebeespoort at R67 and Kloof at R47.

Platinums mirrored golds, but among diamonds, De Beers added 10 cents to R8.70 on some short-covering.

Industrials were mixed with Barlow Rand up 10 cents to R12.30 ahead of annual results published after the market had closed. A recovery in second-half earnings and unchanged dividend exceeded some expectations.

CANADA

A SLIGHTLY lower tone emerged in slow uneventful trading in **Toronto**. Eight of the 14 major indices turned lower, with the gold and property sectors leading the easier mood.

A similar downward trend was seen in **Montreal**, with banks, industrials and papers all recording small declines.

TOKYO

Sidelines adjudged the safest

ACTIVITY was extremely slow in both the equity and bond markets in Tokyo yesterday amid growing uncertainty about domestic politics, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average moved narrowly to end at 9,316.21, a decline of 0.99 from Saturday, on volume of 122.97m shares, the smallest since June 1982. Declines outnumbered advances 309 to 284, with 195 issues unchanged.

Since the conviction on October 12 of Mr Kakuei Tanaka, the influential former Prime Minister, for his involvement in the Lockheed payoffs scandal, the equity market has been under downward adjustment pressure. Investors sporadically selected speculative and incentive-supported issues in an effort to put some life in the market, but signs of recovery have yet emerged.

The lack of buying interest combined yesterday with political uncertainties and the tense Middle East as well as the yen's weakness against the U.S. dollar to send traders retreating to the sidelines.

In particular, an adjustment mood prevailed in the market on pessimistic speculation that the ruling Liberal-Democratic Party may lose its comfortable majority in the House of Representatives if the lower chamber is dissolved for a general election this year.

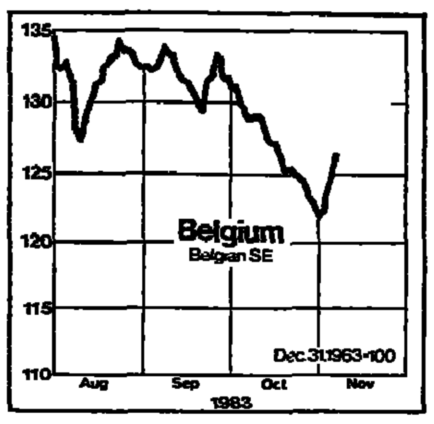
Blue chip stocks were mixed. TDK rose Y30 to Y4,750, Canon Y10 to Y1,340 and Ricoh Y20 to Y1,010, while Fuji Photo Film shed Y10 to Y2,020 and Toyota Motor Y20 to Y1,260.

NEC gained only Y50 to Y1,330, despite reports that it has successfully developed the world first super-high-speed non-von Neumann type computer. This attested to the lack of vigour in the market.

Nippon Kakaku lost Y53 to Y598 on a forecast that the pharmaceutical maker will suffer a setback in profits for the business year ending next May. Tokyu Construction, which had been in speculator favour, declined Y18 to Y641.

Conversely Jusco, Japan's fourth largest supermarket chain, firmed Y47 to Y867 on reports of buying by foreigners. Teijin also gained Y5 to Y181.

On the bond market, investors turned increasingly wary of the yen's steep fall and adopted a hands-off attitude.



EUROPE

Tax break brightens Brussels

A THIRD day of good buying demand in **Brussels** yesterday took the stock exchange index there 3.05 higher to 126.36, buoyed by advance year-end operations from investors acting to take advantage of the limits put on taxation of investment earnings, a concession secured in the recent Belgian budget.

Petrofina, the day's volume leader, advanced BFr 190 to BFr 5,700 while steel-related issues also saw notable activity. Arbed put on BFr 40 to BFr 1,190 ahead of a resolution of the future of its Saarstahl operations: over the last three trading days it has recovered BFr 104 or nearly 10 per cent.

Clabecq gained BFr 44 to BFr 1,044 but Cockerill-Sambre dipped BFr 5 to BFr 168.

Frankfurt remained unsettled by last week's failures of SMH Bank and building equipment concern IBH, and the Commerzbank index shed 7.6 at 987.3, but blue chips were selectively sought.

Stores drew particular benefit, with Kaufhof up DM 5.50 to DM 264.50. Car makers also did well while Veba, West Germany's largest industrial group, added DM 1.50 to DM 165 on its better profits trend and plan for a maintained dividend.

Deutsche Bank led its sector DM 3.50 down at DM 304, while steel continued to adjust to the Saarstahl difficulties and the collapse last week of the merger planned between

Insurer Allianz relinquished DM 7.50 to DM 784 ahead of its response in the Eagle Star bid battle.

Domestic bonds shed an average 35 basis points as call money pushed above 5.6 per cent, at which level the Bundesbank set a 28-day repurchase tender. It also bought DM 80.9m in paper, up from Friday's DM 5.8m.

The escalation of public sector pay strikes limited an **Amsterdam** advance, although KLM still managed a Fl 2.50 gain at Fl 163 and Royal Dutch Fl 2.20 at Fl 132.50. Hoogovens revived Fl 1.20 to Fl 33.70 after a presentation to analysts.

A slightly easier **Paris** showed Michelin FFr 13 off at FFr 735 ahead of results, and oils not much encouraged by a more favourable petrol pricing policy. BSN-Gervais stood out with a FFr 30 rise to FFr 2,410 on its Pommery and Lanson champagne acquisitions – challenging Moët-Hennessy which fell FFr 12 to FFr 1,260.

A Bank of France tender sold FFr 1.21bn in six-month Treasury bills at 11 59/64 per cent and FFr 3.8bn in floating-rate three-month bills: both drew keen demand.

A higher dollar and U.S. interest rate fears, general dampeners yesterday, were no exception in **Zurich** which failed to find any other spur to sentiment and thus drifted lower.

Profit-taking among recently favoured chemicals took Sandoz down SwFr 25 to SwFr 7,300 and unofficially quoted Hoffman-La Roche SwFr 75 to SwFr 9,600. Banks too were dull and domestic bonds lacklustre but not severely affected.

Milan moved lower as international tensions dominated. Banca Commerciale shed L200 to L27,000 and Generale L600 to L134,200 while Olivetti continued to be volatile following last week's news that CIT-Alcatel of France was to take a 10 per cent stake.

It lost L45 to L3,200 but remained some L66 above its level before the link-up emerged.

Domestic bonds were thinly dealt and ended mixed.

Light **Stockholm** and **Oslo** trading brought a mixed result but **Copenhagen** showed declines across the board.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

[illegible]

NEW YORK CLOSING PRICES

Continued from Page 29

[illegible]

CANADA

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

ITALY

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

Indices

[illegible]

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

... last named based on 1975. † Excluding bonds; ‡ 400 industrial, § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

NEW ZEALAND

Buying spree on hopes of oil boom

THERE WERE frantic scenes on New Zealand's Wellington and Auckland Stock Exchanges yesterday as brokers scrambled to trade in oil company shares following the weekend announcement that traces of oil had been discovered off the Taranaki coast of north-eastern New Zealand, *writes Dai Hayward in Wellington.*

Police had to be summoned to control the jostling crowds waiting for the opening, after which brokers reported heavy trading with many oil shares soaring. Some shares doubled in value and millions were traded as investors rushed to get into what they hope will be an oil boom.

Mr Robert Muldoon, the Prime Minister, last night said he thought that brokers and investors had over-reacted and warned against over-optimism. Nevertheless, he said, recent exploration developments were "exciting" even though the offshore wells in question had not yet found oil in commercial quantities.

Initial widespread interest in oil shares started a fortnight ago on rumours of new discoveries. But the atmosphere for yesterday's big buying spree started to build up late on Friday, after the exchanges had closed, when it was announced that the well of Taranaki had found traces of hydro-carbons. This grew steadily as the Saturday and Sunday newspapers forecast soaring shares.

While greatest interest was in shares of companies connected either with the drilling or those holding options off Taranaki, the oil fever also spread to companies working in other areas off New Zealand.

The Moki-1 discovery involved positive identification of hydro-carbons above the 1,800-metre level, with plans to continue drilling to around 2,200. The find has yet to be evaluated thoroughly.

Despite an extensive drilling programme for oil during the past five years, recently stepped up, only one field, the McKee near New Plymouth, has been proved to be productive, at 3,000 barrels per day.

Other McKee test wells have shown encouraging results, but it is in the rough, deep waters off Taranaki that the main hopes lie. The drilling programme is close to the Maui gas-field area estimated to contain 364bn cubic metres of gas and 75m barrels of condensate.

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Less encouraging background pointers fail to halt equity rise but Gilts slip back

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Oct 31	Nov 10	Nov 11	Nov 21
Nov 14	Nov 24	Nov 25	Dec 5
Nov 28	Dec 8	Dec 9	Dec 19

*" New-time " dealings may take place from 9.30 am two business days earlier.

Background pointers slightly less encouraging than those of recent weeks failed to temper enthusiasm for London equities yesterday. Blue chip industrials advanced for the sixth trading session in a row, although investors were inclined to switch interest yesterday from leading shares to secondary stocks and a lengthy list of situation issues.

Such was the underlying strength of equities that predictions that short-term UK interest rates were unlikely to fall this year made no impact. The Building Societies, which meet this week to debate mortgage rates, might well defer the widely suggested cut of 1 per cent until the New Year.

Sentiment also refused to be shaken by Sir Terence Beckett's warning, made in his opening address at the CBI conference yesterday, that the UK economic recovery was not all it should be and could run out of steam in the second half of 1984. Seemingly of more importance to markets was October's Producer Prices (formerly Wholesale Prices); after September's unsatisfactory performance, last month's figures were deemed to be fairly good.

Top-quality industrials on the whole made only small progress during the session but, with Wall Street managing some recovery early yesterday, closed near the day's best. Measuring the trend, the FT Industrial Ordinary share index closed 3.1 up at the session's highest of 721.4, thus taking its rise over the last six trading days to more than 30 points.

Weekend Press recommendations and news-sheet tips brought many pockets of activity, but last week's most popular sectors quietened. This applied to Insurances, Merchant Banks and Stores. Individual features were plentiful and included index constituents Lucas Industries following the announcement of preliminary results slightly better than the break-even forecast by many analysts.

International interest rates uncertainty was a factor in the Gilt-edged market. Investors were not impressed by reported hopes that the U.S. Treasury would soon resume its Bill auctions despite the impasse with the Senate over its debt ceiling. Longer-dated Gilts subsequently reacted ½ before rallying to close around ¼ down while the shorts slipped about ⅛.

Eagle Star new peak

Eagle Star encountered fresh buying, some of which was on American account, and rose 17 to a high for the year of 615p following Press comment suggesting that German insurance concern Allianz would return to top Bats' bid for the group.

The major clearing banks surrendered part of last Friday's sharp gains that stemmed from the slightly more optimistic outlook for world debts. Barclays drifted off to close a net 10 down at 445p, while Midland, 385p, and Lloyds, 475p, sustained falls of 8. Merchant Banks remained firm after last week's merger activity; Hill Samuel, suggested as the next bid recipient in the financial sector, put on 8 to 275p ahead of the interim results, due tomorrow. Schroders rose 13 to 618p and Kleinwort firmed 5 to 328p.

Buildings began the second leg of the Account in subdued fashion. Occasional interest in a market short of stock left Costain 4 dearer at 228p. Secondary issues displayed a bright feature in Tysons (Contracters), which jumped 10 to 62p in a thin market following better-than-expected interim profits. M. J. Gleeson firmed 4 to 190p and French Kier a couple of pence to 107p, both after favourable weekend Press comment. HAT Group gave up 5 to 110p; the half-year results are due next Tuesday. Raine Industries were quoted at 17p ex the rights issue with the new nil-paid shares at 3p premium.

ICI slipped to 588p before closing a couple of pence cheaper on balance at 590p. Among other Chemicals, Amersham International, a dull market in the latter part of last week on nervousness about the interim results due on November 22, eased 3 to 228p following a broker's adverse circular. International Paint shed 5 to a 1983 low of 153p; last year, the preliminary results were announced on November 15.

Wearwell up

Recent optimism about consumer spending abated and leading Stores passed a quiet and featureless session. A couple of noteworthy movements occurred among secondary issues however. Wearwell attracted steady support and rose 8 at 87p on revived hopes of a merger with Mr Asil Nadir's other London-quoted activities. Consideration of the Hungarian jeans contract lifted Lee Cooper a few pence to 120p, while the announcement that chairman Mr R. A. Galliers-Pratt now controls 6.1 per cent of the equity prompted a gain of 4 at 56p in pawnbrokers Harvey and Thompson.

Shoes displayed useful gains. FII advanced 5 more in a thin market to 133p following further Press comment, while revived support was evident for Garnar Booth, 6 dearer at 100p.

Munford and White rose 5 to 210p on the half-year results and encouraging statement on second-half prospects, while satisfactory interim figures left Electrocomponents a similar amount higher at 235p. Phicom, in contrast, eased 2 to 30p after news of the proposed rights issue. Elsewhere in the Electrical sector, Electro-Protective reflected an investment recommendation with a rise of 8 to 166p. Memec also showed to advantage with a gain of 5 to 270p along with Ferranti, 7 to the good at 592p. Leading issues closed little changed after a slow day's trading.

Activity in the Engineering sector was at a low ebb, but leading shares were inclined firmer while secondary issues recorded the occasional firm spot. Carlco rose 4 to 90p and Wiljay ended similarly dearer at 66p, while Press mention directed attention to James Neill, a couple of pence higher at 45p.

Associated British Foods improved a couple of pence to 152p following interim profits at the top of the estimated range. Elsewhere, Paterson Jenks put on 10 to 165p, partly on speculative buying, while the 11½ per cent Preference rose 23 to 603p. News that Argyll had acquired five more supermarket sites from Dee Corporation left the former 4 lower at 135p, but helped the latter to harden a couple of pence to 318p.

Grand Metropolitan, a shade easier initially, encountered a speculative flurry on vague rumours that the group intended to dispose of its Intercontinental Hotel chain and touched 330p before closing 2 dearer on balance at 327p.

Metal Box higher

Metal Box continued to make progress, putting on 8 more to 274p ahead of interim figures due later this month. Other miscellaneous industrial leaders rarely strayed far from previous closing levels. Elsewhere, Bridport-Gundry responded to the preliminary results with a rise of 3½ to 69½p, while Press mention prompted a rise of 6 to 138p in Valor. Others to reflect newspaper comment included Cookson, 4 up at 209p, and Marling Industries, a penny dearer at 41p. Applied Computer moved up 15 more to 405p ahead of Thursday's interim statement, while Hanover gained 5 to 155p in response to an investment recommendation. Following the increased offer from Crystalate, Royal Worcester closed 3 dearer at 325p with the former closing a couple of pence cheaper at 156p, after 154p. Ferguson Industrial Holdings improved to 132p following the increased interim dividend and profits before closing unaltered at 128p. Metal Sciences were noteworthy for a rise of 5 to 25p. Dealings were suspended in Scotcros at 52p at the company's request prior to the announcement that its bankers had been invited to appoint receivers.

Intervision Video encountered a relatively lively business and slipped to 27p before closing a penny dearer on balance at 29p; the preliminary statement is expected today. Among Television issues, LWT A, annual results due on Thursday, firmed 4 to 185p. After last week's useful rally, travel issues encountered profit-taking, Horizon losing 4 to 131p and Saga Holidays 3 to 100p.

Trading nervously ahead of the announcement, Lucas revealed satisfactory preliminary figures and advanced to 156p before settling a net 5 dearer at 153p. Dowty added a couple of pence at 102p in response to a "buy" recommendation. Elsewhere in Motors, Hartwells firmed 3 to 87p awaiting today's half-timer, while Jessups, due to announce full-year figures tomorrow, improved 7 to 74p.

John Waddington advanced 10 to a 1983 high of 285p following the interim profits recovery and the reiteration of the dividend forecast made in the company's defence to the bid from British Printing and Communication; the latter, which still holds a near-30 per cent stake in Waddington, held at 110p.

Recently firm Properties tended to soften in places as buyers remained on the sidelines. Land Securities, half-timer due next Monday, cheapened a couple of pence to 335p, while Great Portland Estates eased the same amount to 136p awaiting tomorrow's interim statement. C. H. Beazer, however, firmed 4 to 286p in front of today's preliminary figures. Town Centre shed 3 to 44p, the increased annual profits and proposed one-for-ten scrip issue outweighed by property revaluation details. Elsewhere, Five Oaks put on 3 to 29p following Press comment. An adverse report about the chairman, Mr Ron Shuck, who has instructed his solicitors to institute libel proceedings, cast a shadow over Espely-Tyas, 7 down at 75p. Associated Telecommunications fell 5 to 98p and London and Liverpool eased 3 to 50p.

Anticipation of a green light from the Monopolies Commission for Trafalgar House's bid prompted revived investment support of P & O Deferred which rose 7 to a 1983 peak of 243p; P & O has appointed Morgan Grenfell as financial advisers in place of Schroder Wagg.

The recent strength of London equities prompted a slightly firmer tone among Investment Trusts. A notable exception was provided by RIT and Northern which having risen sharply last week following the proposed merger with Charterhouse, attracted another brisk trade before closing 4 cheaper at 233p; the Warrants shed a similar amount to 84p.

Financials were enlivened by the announcement that Citicorp has reached provisional agreement to purchase a near-30 per cent holding in London stockbrokers Vickers Da Costa. Exco International, 10 up at 538p, and Mercantile House, 20 to the good at 374p, are both reported to be considering taking a similar holding in Stock Exchange member firms; sentiment in Mercantile House was additionally buoyed by the presence of a broker's recommendation. Stockjobbers Akroyd and Smithers continued the recent advance with a gain of 5 at 472p, while Smith Brothers hardened the turn to 56p. Elsewhere, Aitken Hume, dull recently on concern over the company's involvement with TV-am, rallied 11 at 188p following Press comment.

Activity in the Oil sector centered chiefly around the leaders. BP improved 6 to 430p helped by reports of the likely proceeds of the group's sale of part of its Forties Field interests and the start of drilling in the South China Sea. Shell continued to attract support awaiting Thursday's third-quarter figures and put on 8 further to 562p. Among the speculative issues, Berkeley became a lively market and rose 12 to 72p, along with Marinex, 8 dearer at 73p, after 80p. Southwest Resources advanced 13 to 70p following Press mention.

Golds lower

South African gold and related issues encountered another uneasy trading session.

Bullion remained a nervous market, dipping to $377 in early trading before rallying to close a net $3.75 lower at $378.625.

The gold sharemarket was marked down at the outset and held around the lower levels until the after-hours' trade when light support was reported.

Nevertheless, closing levels left a fall of 10.3 to 474.5 in the Gold Mines index.

Major losses in the heavyweights were incurred by Randfontein, £1¾ cheaper at £72¾, and Vaal Reefs, £1½ off at £60¾, while President Brand dipped almost a point to £24 and Kloof ¾ to £27¼. Cheaper-priced issues were highlighted by ERGO which gave up 23 to 424p.

In South African Financials, dealings in Rand London Corporation and Rand London Coal were suspended at the outset of trading awaiting developments in Johannesburg where shares in both companies are also suspended.

Prior to the suspension in London, Rand London Corporation were changing hands at 24p, compared with Friday's closing level of 26p, and Rand London Coal were quoted at 27p.

The suspensions led to renewed weakness in the UK-registered Burnett and Hallamshire, which dropped 10 to a 1983 low of 170p reflecting the group's 51 per cent holding in Rand London Corporation and its 41 per cent interest in Rand London Coal.

Genbel, the result of the merger between UC Investments and Sentrust, were quoted at 950p. Elsewhere, De Beers dipped 9 to 489p, "Amgold" £1½ to £64 and GFSA ⅝ to £12¼.

The continued weakness of copper prices led to further selling of RTZ, which dropped 17 to 545p. Gold Fields and Charter fell 5 apiece at 467p and 220p respectively.

Australians provided the only good performance in mining markets. Western Mining rose 4 to 220p following the Australian Labour Party's agreement on a uranium package which will mean the go-ahead for the Olympic Dam uranium/copper/gold/silver mine

Demand for Traded Options declined slightly with 2,236 contracts transacted. Substantial money was again directed towards ICI which recorded 446 calls with the January 500 and 600 series both accounting for 201 trades.

FINANCIAL TIMES STOCK INDICES

	Nov. 7	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Oct. 31	year ago
Government Secs.	81.90	82.02	82.24	82.23	82.34	82.07	84.80
Fixed Interest	84.97	85.08	85.17	85.13	85.16	84.88	86.25
Industrial Ord.	721.5	718.3	714.7	707.8	706.2	703.1	616.6
Gold Mines	474.5	484.8	466.2	477.9	444.6	461.3	373.7
Ord. Div. Yield	4.75	4.76	4.78	4.82	4.84	4.84	4.95
Earnings, Yld.% (full)	9.41	9.43	9.47	9.55	9.59	9.59	10.70
P/E Ratio (net) (*)	13.26	13.23	13.18	13.07	13.01	13.01	11.21
Total bargains	18,847	19,004	20,160	21,002	21,087	21,014	23,330
Equity turnover £m.	—	222.57	215.94	221.41	203.57	202.89	177.00
Equity bargains	—	16,022	16,686	16,818	18,157	16,110	19,951
Shares traded (ml)	—	130.1	124.4	132.8	133.6	127.6	112.3

10 am 721.4. 11 am 720.7. Noon 720.9. 1 pm 720.7. 2pm 720.4. 3 pm 720.4.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil = 12.47.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.60 (13/8)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.17 (3/11)	79.03 (1/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	740.4 (22/8)	598.4 (12/1)	740.4 (22/8/83)	49.4 (26/6/40)
Gold Mines	734.7 (16/2)	444.6 (1/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Nov. 4	Nov. 3
—Daily Gilt Edged Bargains	182.8	160.8
Equities Bargains	103.8	108.1
Value	449.9	436.5
5-day Avrge Gilt-Edged Bargains	168.5	157.0
Equities Bargains	109.6	110.0
Value	450.7	424.5

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (46)

BRITISH FUNDS (2)
Funding 5¼pc '82-84 · Treasury 3pc 1985

COMMONWLTH & AFRICAN LOANS (1)
N Zealand 7¼pc 1988/92

LOANS (2)
Inv in Ind 9pc A '91/94 · Nationwide Bldg Soc 10⅞pc 18/6/84

AMERICANS (1)
Eaton Corp

BANKS (2)
Bank Leumi (U.K.) · Mercury Secs

CHEMICALS (2)
Plysu · Scot Agricultural

STORES (3)
Casket (S.) · Walker (James) N/V · Simpson (S) A

ELECTRICALS (1)
Memec

ENGINEERING (1)
Neill (James)

FOODS (1)
Glass Glover

INDUSTRIALS (8)
Aero Needles · Dupont · Bridport-Gundry · Hartons · Continental Group · Metal Box · Dinkie Hotel · Williams (J.)

INSURANCE (1)
Eagle Star

LEISURE (2)
HTV N/V · WT A

MOTORS (1)
Young (H.)

NEWSPAPERS (1)
Websters

PAPER (2)
Cropper (James) · Waddington (J.)

PROPERTY (5)
Beazer (C. H.) · MEPC · Laing Props · Mountleigh · Do 8¾pc Ln 2000/05

SHIPPING (1)
P. & O. Defd

SHOES (1)
FII

TRUSTS (5)
Ambrose Inv Cap · TR Prop Inv · British Inv Trust · Akroyd & Smithers · Channel Islands Cap

OILS (1)
Caledonian Offshore

OVERSEAS TRADERS (1)
Great Northern Tel

MINES (1)
Keywest Invs

NEW LOWS (15)

BRITISH FUNDS (1)
Treasury Do 2½pc IL 2020

CORPORATION LOANS (1)
G.L.C. 13¼pc 1984

AMERICANS (1)
Flour Corp

BUILDINGS (1)
Burnett & Hallam

CHEMICALS (1)
Int'l Paint

ELECTRICALS (1)
Telefusion A N V

ENGINEERING (1)
Howden Group

INDUSTRIALS (3)
Assoc Telecom · Sparrow (G. W.) · Office & Elect

INSURANCE (1)
Alexander & Alex 11pc Cnv 2007

TRUSTS (1)
Mezzanine Cap Ptg Red Pf

MINES (3)
Black Hill Minerals · Northgate Expl'n · Samson Expl'n

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	72	26
Corpns. Dom. and Foreign Bonds	6	21	50
Industrials	266	198	923
Financial and Prop.	130	84	312
Oils	31	20	64
Plantations	2	6	72
Mines	16	63	86
Others	34	59	79
Totals	488	523	1,552

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Nov 7 1983 — Fri Nov 4 — Thur Nov 3 — Wed Nov 2 — Tues Nov 1 — Year ago (approx)

[illegible]

FIXED INTEREST — AVERAGE GROSS REDEMPTION YIELDS

[illegible]

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
IR77	F.P.	25/11	66	62	✱Flogas 10p.	65	......	uQ3.8%	5.6	3.6	10.5
§91	F.P.	25/11	91	84	✱Imtec Group 10p.	84	......	u2.1	2.5	3.6	12.7
§45	F.P.	25/11	46	44	✱Laidlaw Group 10p.	45	......	b2.5	2.6	7.9	6.4
§220	F.P.	—	255	236	Logica 10p.	252	+2	u1.0	5.9	0.6	50.0
—	F.P.	11/11	35	21	Lon. Midland IndD'fd	35	......	—	—	—	—
§65	F.P.	31/10	72	68	✱Mainmet Hldgs 10p	72	......	—	—	—	78.6
*285	F.P.	25/11	310	293	OxfordInstruments5p	303	......	b1.0	8.5	0.5	61.2
§150	F.P.	4/11	161	156	✱PCT Group 10p.	156	......	b4.8	2.1	4.4	14.7
§85	F.P.	—	105	103	✱Peters (Michael)	103	......	u1.79	1.7	2.5	35.3
—	F.P.	—	£19¼	£18½	Rohr Inds. Inc. US$1.00	£18¾	−¼	—	—	—	—
185	F.P.	11/11	234	214	Telemetrix 5p.	218	......	b1.4	5.5	0.9	28.4
100	F.P.	25/11	100	87	Tottenham Hotspur	97	+1	b4.0	1.9	5.9	10.7
§IR84	F.P.	9.12	183	178	✱Woodchstrinv.IR20p	178	......	Q19.5%	4.1	1.7	15.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
99.296	£25	29/11	28	22	Allied-Lyons 11¾% Deb 2009	27	−¼
98.736	£25	16/2	27	25⅝	Australia 11⅞ pc. Ln. 2015	26⅝	−⅛
100	£10	2/1	12	11½	Bristol Waterworks 6.5% Red. Prf. 1988	12	......
99.714	£30	—	30⅛	30	Int. Bk. for Rec. & Dev. 11.5% Ln. 2003	30⅛	......
97.268	£25	25/1	27¼	25	Ireland 12¾% 2008	27	−¼
¶100p	25p	9/12	33¼p	25p	LASMO 9⅝% Cum Red Pref	33p	......
‖	Nil	10/11	3½pm	½pm	Lon. Shop Prop. 9pc Cnv. 94/99 Ser II.	3pm	−½
—	F.P.	—	100⅛	99⅞	Nationwide 10⅛% Bds. 8/10/84	100⅛	......
—	F.P.	—	100⅛	100	" 10¼% Bds. 5/11/84	100⅛	+⅛
¶100	£10	3/2	12	12	Sund'ld + S.ShieldsWtr5½pcRPF. 1989	12	......
¶100	F.P.	17/11	102	101¾	York Waterworks 9.75pc Red. Prf. 1988	101¾	......

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1983 High	1983 Low	Stock	Closing price p	+ or −
7	Nil	—	15/12	2pm	¾pm	Amal. Estates 5p	2pm	+½
IR55	F.P.	—	—	61	42	Aran Energy 20p	58	......
58	Nil	—	19/12	9pm	6pm	Arrow Chemicals	9pm	+1
75	Nil	—	—	6pm	1½pm	Britannia Arrow	5pm	−1
23	F.P.	—	30/11	27	24	C. H. Industrials 10p	25	......
82	Nil	—	9/12	4pm	3pm	Cartwright (R.) 10p	4pm	......
50	F.P.	—	11/11	51	47	✱Coleman Milne 10p	47	......
660	Nil	—	11/11	70pm	65pm	✱Continental Microwave	65pm	......
*310	Nil	—	—	22pm	20pm	F.&C. Enterprise Units 10p	22pm	+1
30	Nil	—	9/12	4pm	3pm	✱Inn Leisure 5p	4pm	......
20	F.P.	—	18/11	52	37	Inter-City Inv. 20p	41	+½
275	Nil	—	11/11	47pm	30pm	Lex Service	47pm	+1
120	F.P.	7/11	9/12	148	127	MFI Furniture 10p	148	+1
11	F.P.	—	25/11	42	15	✱Parkfield Foundries 5p	42	......
14	Nil	—	—	3pm	2½pm	Raine Inds. 10p	3pm	......
210	F.P.	—	11/11	248	225	Utd. Newspapers	248	+5
85	Nil	—	4/1	9pm	5pm	Ward White	9pm	+2½
‖	Nil	—	—	108	93	Western Mining Options	105	+5

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ● Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3). ✱ Unlisted Securities Market. *Comprising of 10 New ordinary plus 1 Series B Warrant.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 7	Nov 18	Feb 9	Feb 20
Nov 21	Dec 2	Feb 23	Mar 5
Dec 5	Dec 16	Mar 8	Mar 19

For rate indications see end of Share Information Service

Stocks favoured for the call included European Ferries, Parkfield Foundries, Bula Resources, GEC, Blackwood Hodge, Paterson Jenks, Dominion International, Belhaven, Johnson Matthey, Metal Sciences, Ramar Textile, Rank Organisation, ICL, Peel, Magnet and Southerns, Eglinton, Shires Investment Trust, Tozer Kemsley and Millbourn, London and Liverpool, Youghal Carpets, Fobel International, RHP, David Dixon, Intervision, Conex and Astra Industrial. Puts were completed in Security Centres and Pineapple Dance Studios, while doubles were transacted in Trust Securities, John Brown, Dunlop, Lasmo, First National Finance and Sterling Guarantee.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Atlantic Res	680	−5
Eagle Star	615	+17
Firmin	93	+3
Grand Met	327	+2
ICI	590	−2
Lucas Inds	153	+5
Marinex Pet	73	+8
Mercantile House	374	+20
RIT and Nthn	233	−4
RTZ	545	−17
Southwest Res	70	+13
Western Mining	220	+4

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Saxon Oil	16	233	+28
Ferranti	15	585	+20
Applied Cmptr	14	390	+15
Barclays Bank	14	455	+25
ICI	14	592	+6
Lloyds Bank	13	483	+31
Eagle Star	12	598	+8
Glaxo	12	735	−10
Logica New	12	230	+2
Bat Inds	11	161	+7
Babcock Intl	11	138	−6
Hanson Trust	11	222	+6
Midland Bank	11	393	+11
Beecham	10	318	+3

LONDON TRADED OPTIONS

Option	Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Brit. Petroleum (*430)						
360	80	—	—	3	—	—
390	50	64	70	6	11	18
420	28	42	48	14	20	28
460	8	18	28	36	48	46

Option	Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Imperial Group (*134)						
110	24	27	28	0½	1	2
120	14	18	19	0¾	3	4
130	5	10	13	3	5	7
140	2	5	7½	8	10	12

[illegible]

Nov. 7. Total Contracts 2,236. Calls 1,771. Puts 465
* Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 13,576
A=Ask B=Bid C=Call P=Put

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1983 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100 7/16	98 11/16	Exch. 10pc 1983	100 1/32xd	- 1/16	9.98	8.85
99 3/16	96 1/4	Funding 5 1/2pc '82-84‡‡	99 3/16	+ 1/16	5.53	9.07
101 1/4	99 1/2	Exch. 11 1/4pc 1984	100 7/8	....	11.18	8.84
104 1/8	100 1/2	Exchequer 14pc 1984	102 13/32xd	- 1/16	13.65	9.34
96 1/4	92 1/2	Exch. 3pc 1984	96 1/4	....	3.11	9.16
102 13/32	100 13/32	Treasury 12pc 1984	102 3/16	- 1/16	11.74	9.28
107 13/32	104 13/32	Treasury 15pc 1985	105 13/32	- 1/16	14.20	10.18
107	101 1/16	Exch. 12pc Cnv. '85	102 1/16	- 1/16	11.71	10.02
93 5/8	88 5/8	Treasury 3pc 1985	93 5/8xd	+ 1/8	3.20	7.47
102 1/2	99 1/4	Treasury 11 1/2pc 1985	102 1/16	- 1/16	11.26	10.09
102	95	Treas 8 1/4pcCnv '85	97 13/32	- 1/16	8.94	10.09
103 5/8	100 1/8	Exch. 12 1/4pc 1985	103 1/16xd	- 1/8	11.87	10.47
102 5/8	99 1/16	Exch. 11 3/4pc '86	102 3/16	- 1/16	11.48	10.38
101 1/4	97 1/4	Treas 10pc Cnv 1986	100 1/4	- 1/16	9.97	9.85
88 1/2	85 5/8	Treasury 3pc 1986	88 1/4xd	......	3.40	8.25
101 13/32	97 3/16	Exch. 10 1/2pc Cv '86	100 1/4xd	- 1/4	10.47	10.40
103 13/32	100 1/16	Treasury 12pc '86	102 3/32xd	- 1/16	11.65	10.70
95 1/4	94 1/8	Treasury 8 1/4pc '84-86‡‡	95 11/16	- 1/16	8.88	10.35
114	103 3/4	Treas. 12 3/4pc '86 Cnv.	108 1/4	- 1/2	11.31	8.70
109 3/16	105 3/16	Exch. 14pc 1986	107 5/8	- 1/8	13.00	10.91
107 1/4	103 5/8	Exch. 13 1/4pc 1987	105 7/8	- 1/8	12.51	10.96
99 1/16	95 1/4	Tr 10 1/4pc Cv '87	98 1/4	- 1/4	10.37	10.69
84 1/16	80 1/4	Exchequer 2 1/2pc 1987	82 7/8	- 1/16	3.02	8.57
100 1/16	95 7/8	Exch. 10 1/2pc 1987	98 13/32	- 1/16	10.60	10.86
93 3/4	88 1/4	Funding 6 1/2pc '85-87‡‡	90 5/8	- 1/8	7.21	9.93
61 13/32	59 7/8	Treas. 10pc '87 (£60pd)	60 5/8	- 1/8	10.23	10.80
86	80 1/4	Treasury 3pc 1987	81 3/16	- 1/16	3.67	8.95
104 5/8	99 7/8	Treas 12pc 1987	103 1/16	- 1/16	11.62	10.98
93 1/4	89 5/8	Treasury 7 3/4pc '85-88‡‡	90 5/8	- 1/16	8.55	10.53
101 1/2	95 1/2	Exch 10 1/2pc '88	99 1/16xd	- 1/8	10.60	10.77
60 1/4	59 1/16	Tres 9 3/4pc Cv'83 (£60pd)	60 1/16	- 1/8	10.09	10.72
81 1/2	75 1/4	Transport 3pc '78-88	78 1/8	- 1/16	3.84	8.83
96 1/4	90 1/4	Treas. 9 1/2pc '88	94 13/32	- 1/16	10.00	10.84

Five to Fifteen Years

1983 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
104 5/8	95 1/4	Treasury 11 1/2pc 1989	104 1/8	- 1/8	11.31	11.04
103	94 1/4	Treas 10 1/2pc 1989	97 1/4xd	- 1/8	10.70	10.96
83 1/4	76	Treasury 5pc '86-89	81	......	6.20	9.30
112 5/8	103	Treasury 13pc 1990‡‡	112 1/4	- 1/8	12.02	11.12
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, H.P. & LEASING

[illegible]

BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

حركة / سند الأصل

INDUSTRIALS—Continued

1983 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
60	35	McKean & Scott Hldgs	49	+1	M1.0	—	2.1	—
23	9¾	Keep Trust 5p	12¼	.....	‡0.15	—	‡	—
210	140	Kelsey Inds.	185	.....	8.0	1.7	6.2	12.7
155	110	Kershaw (A.) 5p	140	.....	‡15.0	0.6	‡	(21.1)
80	39	Kleen-E-Ze Hldgs.	70	.....	3.0	0.5	6.1	—
101	52	L.C.P. Hlds	88	.....	3.6	1.2	5.8	(20.8)
32	14	LDH Group	27	–½	—	—	—	♦
132	93	L.R.C. Int. 10p	113	–1	h2.95	2.9	3.8	14.5
34	17	Lamont Hldgs. 10p	32xd	.....	†1.3	1.8	5.8	12.6
41	26	Lawtex	41	.....	—	—	—	♦
480	345	Lep Group 10p	460	.....	17.5	0.3	5.4	63.8
48	22	Lilleshall 10p	45	–3	d1.0	—	3.2	—
350	39	Lon. & Liv. 10p	50	–3	h2.75	3.5	7.9	4.5
135	97	London & Mid'd	107	.....	7.75	1.1	10.3	12.0
*110½	38	Lon. & Nthn. Grp.	63	–½	F4.2	2.0	9.8	8.7
40	23	Lon. Priv. Health	23	.....	—	—	—	11.5
65	46	Longton Inds.	57	+2	1.0	—	2.5	—
120	70	Low & Bonar 50p	118	.....	†5.0	2.8	6.5	(6.2)
48	32½	MCD Group	45	+½	b1.0	2.2	3.2	20.5
87	62	MMT Computing 5p	82	.....	b1.68	2.6	2.9	19.1
26	16	M.Y. Dart. 10p	23xd	.....	20.25	—	1.6	—
212	134	M'c'rthy Ph. 20p	146	.....	7.0	2.7	6.8	6.9
148	128	Macfarlane Gp.	135	–1	†3.52	2.1	3.7	16.5
46	33	Maclellan 20p	34	.....	d1.5	1.6	6.3	12.2
63	36	Macpherson (D.)	42	–1	4.2	0.6	14.3	(24)
56	41	Magnolia Group	54	.....	2.3	3.2	6.1	6.3
180	65	Man. Ship Can. £1	134	.....	3.5	6.8	3.8	4.8
77	48	Marley	76	–1	†2.5	0.5	4.7	(22)
45½	30½	Marling Ind. 10p	41	+1	1.08	1.7	3.8	(25)
34	25	Marshall L'xy. 'A'	26	.....	‡1.2	—	‡	—
68	44	Marshall's Univ	56	.....	B—	—	—	18.5
32½	23	Martin-Black	29	.....	—	—	—	—
£190	£83	Mathercons 7¾%	£98	.....	07¾%	2.9	18.9	—
274	154	Metal Box £1	274	+8	11.55	1.8	6.0	(10)
131	104	Metal Closures	123	.....	5.7	1.8	6.6	(8.0)
33	20	Metal Sciences 2½p	25	+5	—	—	—	—

LEISURE—Continued

1983 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
100	40	Black & Edgtn.	72	.....	♦—	—	—
178	118	Boosey & Hawkes	160xd	.....	†2.3	1.5	2.1
61	32	Campari Int. 20p	43	–1	‡d2.73	1.2	[illegible]
170	160	Central TV N/Vtg 50p	160	.....	—	—	—
36	23	Fairline Boats 10p	36	.....	td1.0	—	4.0
39	14½	GRA Group 5p	38½	.....	—	—	—
61	45	Grampian TV A 10p	61	.....	3.6	2.9	8.4
183	136	HTV Non-Vtg	183	+2	11.0	2.2	8.6
222	118	Horizon	131	–4	†3.6	5.7	3.9
142	91	Intasun 10p	142	–2	4.0	4.5	4.0
60	22	Interivision Video 10p	29	+1	1.0	2.1	3.4
380	258	Juliana's Hldgs 2p	380	.....	b4.9	2.4	1.8
185	159	LWT "A"	185	+4	11.08	1.1	8.6
*147	55	Leisuretime Int 10p	60	.....	g1.54	2.8	3.7
132	108	Mngmt. Ag. M. 10p	113	.....	8.75	1.6	11.1
72	52	Medminster 10p	69xd	–1	4.4	♦	9.1
170	110	Mine World Grp 10p	160	+2	b3.0	2.5	2.7
23	17½	Nationwide 5p	19½	.....	—	—	—
128	31	Nimslo Int 20c	31	–1	—	—	—
128	45½	Norton Opax 10p	113	.....	t2.17	4.3	2.7
30	22½	Owners Abroad	27½	.....	0.5	4.5	2.6
47	36	Photax (Lon.)	38	.....	—	—	—
153	90	Pineapple Dance St 10p	122	+2	G1.5	♦	2.0
345	217½	Pleasurama 5p	345	.....	t5.75	4.5	2.4
173	108	Radio City 'A' NV	135	.....	g5.6	1.6	6.0
209	138	Riley Leisure 10p	180xd	.....	†3.95	1.7	3.1
132	83	Saga Hols. 20p	100	–3	d3.73	—	5.3
515	345	Samuelson Grp £1	385	–5	td12.0	2.8	4.4
108	94	Scott. TV 'A' 10p	105	.....	7.35	2.2	10.0
60	28	Select TV 10p	42	+3	—	—	—
24	15½	TSW 5p	20½xd	+½	1.2	♦	8.4
77	30	TVS N/Vtg 10p	75	.....	—	—	—
29	19	Television Servs 10p	22½	.....	b0.2	3.3	1.3
114½	64	Trid'nt TV 'A' 10p	113	–1½	†♦4.26	1.4	5.4
180	105	21st Century Dist	120	.....	—	—	—
24	15	Webb (Jos.) 5p	18	.....	d0.51	8.5	4.1

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

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OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—continued

Australians

1983 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
28½	13½	♥ACM 20c	17½	.....	—	—	—
52	32	Allstate Expln NL	38	.....	—	—	—
40	9	♥Australis Mng. NL	24½	.....	—	—	—
25	11	Balmoral Resources	15	.....	—	—	—
60	34	♥Black Hill Mins.	34	–1	—	—	—
85	51	♥Bond Corp.	71	–1	Q10c	♦	9.1
183	116	♥Bougainville 1 Kina	142	.....	mQ3.21	1.2	1.4
372	204	♥CRA 50c	346	–4	tQ3c	—	0.5
145	60	♥Carr Boyd 20c	68	.....	—	—	—
38	25	♥Central Kalgoorlie	35	.....	—	—	—
43	18	♥Central Pacific	24	.....	—	—	—
9	2¾	♥Con. Gold Mng Areas.	2½	.....	—	—	—
17	5	♥Coopers Res. N.L.	8½	.....	—	—	—
256	183	♥Crusader Oil	194	.....	—	—	—
18	8	♥Cultus Pac NL	17	+1	—	—	—
19	7	♥Eagle Corp 10c	16½	.....	—	—	—
215	96	♥Emperor Mines	152	–4	—	—	—
14	8	♥Endeavour 20c	9½	.....	—	—	—

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Principal and interest tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆☆ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	62	.....	Fin. 13% 97/02	£94⅛	–⅛
Bdg'wtr. Est. 50p	295	.....	Alliance Gas	75	.....
Craig & Rose £1	£10½	.....	Arnott	205	.....
Finlay Pkg. 5p	35	–2	Carroll (P.J.)	99	.....
Higsons Brew.	83	.....	Concrete Prods.	75	.....
Holt (Jos) 25p	910	.....	Heiton (Hldgs.)	16	.....
I.O.M. Stm. £1	130	.....	Irish Ropes	34½	.....
IRISH			Jacob	83	.....
Exch. 12% 1985	£98⅞	+¼	T.M.G.	85	.....
Nat. 9¾% 84/89	£88⅛	+½	Unidare	75	+1

OPTIONS

3-month Call Rates

Industrials		House of Fraser	20	Utd. Drapery	22
Allied Lyons	13	I.C.I.	45	Vickers	12
BOC Grp.	20	"Imps"	11	Woolworth Hld.	30
B.S.R.	20	I.C.L.	7		
Babcock	15	Ladbroke	22	**Property**	
Barclays Bank	45	Legal & Gen.	45	Brit. Land	8½
Beecham	32	Lex Service	32	Cap. Counties	14
Blue Circle	45	Lloyds Bank	48	Land Sec.	28
Boots	16	"Lots"	4	MEPC	20
Bowaters	22	London Brick	10	Peachey	16
Brit. Aerospace	19	Lucas Inds.	15	Samuel Props.	11
B.A.T.	14	"Mams"	14	Town & City	4
Brown (J.)	3½	Mrks. & Spncr	20		
Burton Ord.	35	Midland Bank	40	**Oils**	
Cadburys	11	N.E.I.	10	Brit. Petroleum	38
Courtaulds	10	Nat. West. Bank	55	Burmah Oil	17
Debenhams	14	P&O Dfd.	21	Charterhall	9
Distillers	20	Plessey	19	KCA	6
Dunlop	6	Racal Elect.	20	Premier	6
Eagle Star	45	R.H.M.	7	Shell	55
F.N.F.C.	5½	Rank Org. Ord.	20	Tricentrol	22
Gen. Accident	42	Reed Intnl	32	Ultramar	65
Gen. Electric	18	Sears	8		
Glaxo	75	T.I.	13	**Mines**	
Grand Met.	30	Tesco	17		
G.U.S. 'A'	50	Thorn EMI	55	Charter Cons.	28
Guardian	45	Trusthouse	16	Cons. Gold	58
G.K.N.	16	Turner & Newall.	7	Lonrho	9
Hawker Sidd	28	Unilever	70	Rio T. Zinc	62

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

Authorised Units—continued

Atlanta Unit Trust Managers Ltd.
1 Founders Ct. Lothbury, EC2. 01-600 8664

Jap & Far East —		50.0	....	1.0

Baillie, Gifford and Co Ltd
3 Glenfinlas St. Edinburgh. 031-225 2581

JanExOct26	136.0	143 5	....	0.35
IntEx*Nov2	224.6	237.2	....	1.52
BGPPn†D15	214.2	225.5	....	—

†Next dealing day.
*Unauthorised.

Equity & Law Un Tst Mngrs (a) (b) (c)
Amersham Rd, High Wycombe. 0494 33377

Euro Tst Acc	61.0	65.5xd	−0.2	1.40

Robert Fleming & Co Ltd
8 Crosby Square, EC3A 8AN. 01-638 5858

AmExFd*	£257.53	263.31	....	0.89
JapExFd*	£159.56	164.65	....	1.16

Next subscription day Nov 1 1983.
*Fleming American Property Unit Trust.
Latest issue price (15.11) US$10.621.
Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust.
Latest issue price (29 9) £2.070.
Units are issued on March 25, June 24, Sept 29 & Dec 25.
*Unauthorised.

Guardian Royal Ex Unit Mngrs Ltd (a)
Royal Exchange EC3V 3LS. 01-638 2020

Gilt & Fixed	114.1	118.6	−0.4	9.82
Growth Eq	100.0	107 6	+0.4	2.54
Guardhill	182.4	189.0	+0.2	3.35
Nth Amer	92.6	99 6xd	−0.6	1.88
Pacific	101.8	109.5xd	−0.7	0.39
Prop Shares	104.7	112.6	+0.2	2.06
Smaller Cos	105.9	113.9xd	+0.3	1.86

H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)
Premier NT Admin, 5 Rayleigh Rd, Hutton, Brentwood, Essex. 0277-227300

SmllrCosTst	51.8	54.5	+0.4	4.33
Nth Amer	47.3	49.8	−0.7	1.59
Japan Far Tst	52.6	55.4xd	−0.3	1.32
Scandinvn Tst	47.9	50.4	−0.7	1.49

Hexagon Services Ltd
4 Gt St Helens, London EC4P 3EP. 0708 45322

AustinFrs	106.4	112.1	....	2.52
Brewin Cap	80.5	84.8	....	—
Brewin Int	73.5	77.4	....	—
Canada Grw	105.4	113.4	....	—

Lawson Fund Managers Ltd (a) (c) (g)
43 Charlotte Sq. Edinbgh 2. 031-225 6001

Charltt Sq Fd	52.5	54.5	+2.4	4.8

Pen Shr Fd	13.5	14.5	....	1.8
Aust & Pac	7.8	7.8	....	0.6
High Yield	19 2	20.7xd	....	10.4
Do. Accum	21.3	22.8xd	....	10.4

MGM Unit Managers Ltd
MGM House, Heene Road, Worthing 01-623 8211

High Inc	123.1	132.4xd	+0.3	6.88
(Accum Uts)	128.9	138.6xd	+0.3	6.88
UK Growth	118.9	127.9xd	−0.3	3.11
(Accum Uts)	120.4	129.5xd	−0.3	3.11

MLA Unit Trust Management Ltd
Old Queen St. SW1A 9JG. 01-222 8576

MLA Uts	183.0	192.1	....	2.79
MLA Itn	27.9	29.2	....	0.86

The Money Market Trust
63 Qn Victoria St. EC4N 4ST. 01-236 0952

Call Fund	—	—	....	8.79
7 Day Fund	—	—	....	8 98

*Unauthorised—Sterling Deposit Fund.

Scottish Unit Managers Ltd
29 Charlotte Sq. Edinburgh. 031-226 4372

Pacific Fund	25.0	27.1	−0.1	0.30
N Amer Fd	24.0	26.0	−0.1	0.37
World Growth	22.9	24.8xd	−0.1	2.41
Income Fund	23.8	25.8xd	...	4.92

Offshore and Overseas—continued

Insurances—continued

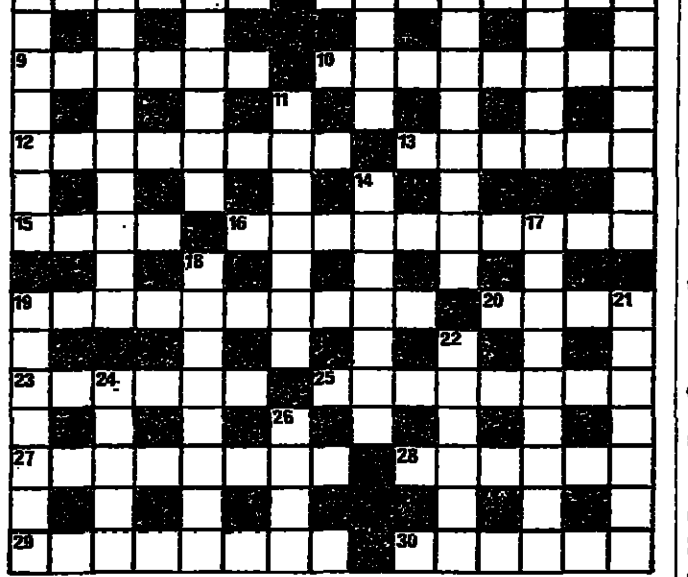
Scottish Provident Institution
6 St Andrew Sq, Edinburgh. 031-556 9181

Mixed	95.0	100.1	−0.1	—
Equity	96.3	101.4	+0.3	—
International	93.9	99.0	−0.4	—

Windsor Life Assurance Co Ltd
Royal Albert Hse, Sheet St, Windsor 68144.

FutAssGth	75.0(A)	85.0(B)	−1.0	—
FutAssPen	—	51.60	+0.34	—
Far East Fd	126.2	132.8	+1.5	—

F.T. CROSSWORD PUZZLE No. 5,263



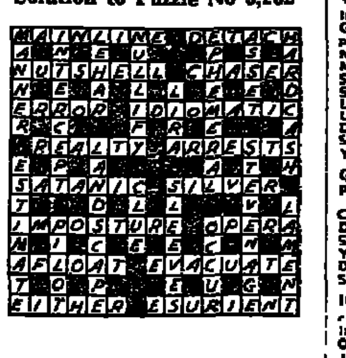
ACROSS

1 Barber-shop singer? (6)
4 Policemen occasionally see case slip away . . . (8)
9 . . . please break up and slip away (6)
10 Scaremonger needs clock set at one, beginning to strike (8)
12 Overbearing in water off Cowes (8)
13 Walker's bone-brooch (6)
15 e.g. Spike to proceed (4)
16 Ringlet fashioned by Yale? (6-4)
19 Nobody has to settle such a fight (4-3-3)
20 Fish in darkness almost (4)
23 Whale of an order overturns ship—abeam? (6)
25 Goad Illingworth and one can get caught in the deep (5-3)
27 Gets hot flan semi-cooked (8)
28 Farmer in Olivares shows his sheep (6)
29 I.O.U.? (8)
30 Make showy run, ignoring cover? (6)

DOWN

1 Sense and Sensibility? (7)
2 Statesman who was happy to put on weight (9)
3 Outcome of Ulster disturbance (6)
5 The game is up! (4)
6 Bearing beyond the reach of noted tandemist? (8)
7 So long as it is more formal (5)
8 Forerunner of VAT restored —what an obstacle! (7)
11 In press release, they take secret shots (7)
14 Tickets in quarters (7)
17 Variegated white rose called "Else" (9)
18 Behind the scenes in Cambridge? (3-5)
19 Little Father Swift in a weakened physical state (7)
21 Light reading for the auditor? (3-4)
22 Eat but not seriously, say (6)
24 Plunder in Winchester, for example (5)
26 English garden the Scots know—kind of square (4)

Solution to Puzzle No 5,262



هكذا من الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

Black Horse Man Fd.	255.17		......	—
Managed Inv. Fd.	156.86	165.12	......	—
Property Fd.	151.46	159.48	......	—
Fixed Interest Fd.	146.09	153.78	......	—
Cash Fd	136.49	143.68	......	—
Income Fd.	168.36	177.23	......	—
Extra Income Fd.	160.75	169.22	......	—
Worldwide Growth Fd.	219.35	230.90	......	—
Balanced Fd.	167.80	176.64	......	—
Smr Co's & Recy. Fd	198.34	208.78	......	—
Int. Technology Fd	250.82	264.03	......	—
Nth Amer & Gen. Fd.	157.88	166.19	......	—
Energy Int. Fd	100.47	105.76	......	—
Pacific Basin Fund	135.41	142.54	......	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	112.1	118.0	......	—
Property	112.1	118.0	......	—
Equity	113.6	119.6	......	—
International	126.6	133.3	......	—
Fixed Interest	101.8	107.1	......	—
Deposit	99.5	104.7	......	—
Managed Pen. Cap.	112.3	118.2	......	—
Property Pens. Cap.	112.4	118.3	......	—
Equity Pens. Cap.	107.6	113.2	......	—
Intnl. Pens. Cap.	131.4	138.3	......	—
Fixed Int. Pens. Cap.	99.2	104.4	......	—
Deposit Pens. Cap.	97.3	102.5	......	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity 6th Nov 2		91.5	......	—
Rtml. Fed. Aug 6		255.4	......	—
Managed Pen Fund	186.9	177.5	......	—
Property Pen Fund	114.2	120.2	......	—
Index Lnkd Pen Fund	112.4	118.3	......	—
Managed	120.1	126.5	+0.2	—
Property	104.1	109.6	......	—
Gilt and Fixed Interest	106.7	112.4	......	—
Index-Linked	98.4	103.6	......	—
Equity	118.4	124.7	+0.3	—
Cash	104.0	109.5	-0.7	—
Midland Bk. Unit Tst.	116.1	122.3	-0.1	—
Midland Bank Intnl.	136.8	144.0	-0.6	—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G T. Plan Bond Fund.	122.9	129.4	-0.1	—
GT Pln High Yld Fnd	117.7	123.9	......	—
GT Plan Far East Fnd	112.7	118.7	......	—
GT Plan N. Am Fd	133.5	140.6	......	—
GT Pln UK&G.E. Fnd	130.7	137.6	......	—
GT Pln Wrldwde Fnd.	131.1	138.0	......	—
GT Pension Bnd Fnd.	132.4	139.4	......	—
GT Pen High Yld Fd	133.4	140.5	......	—
GT Pen Far East Fd	136.8	144.0	......	—
GT Pen N. Am. Fd	192.2	202.4	......	—
GT Pen UK & G.E. Fd	150.8	158.8	......	—
GT Pen Worldwide Fd.	139.1	146.5	......	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	166.9	175.7	......	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.	246.2	—	......	—
Portfolio Fd. Init.		202.8	......	—
Portfolio Fd. Cap.		295.8	......	—
Investment A uts	246.1	259.1	......	—

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	257.4	271.0	......	—
Money Fd	155.4	163.6	......	—
Equity Fd	224.9	237.0	......	—
Fixed Int. Fd	117.8	124.1	......	—
Property Fd	172.1	181.3	......	—
Managed Pen. Fd	246.6	259.8	......	—
Equity Pension Fd	177.7	187.3	......	—
Fixed Int. Pen. Fd	164.2	173.0	......	—
High Yield Pen. Fd	162.0	170.7	......	—
Money Pension Fd	128.1	134.9	......	—
Property Pension Fd	127.3	134.1	......	—
Gresham/Framlington				
American & Gen. Fd.	248.1	261.4	+0.7	—
Income Fd	181.5	191.3	+1.0	—
Int'l. Growth Fd	265.5	279.8	......	—
Capital Fund	290.3	305.5	......	—
Recovery Fund	144.5	152.3	+0.3	—

OFFSHORE AND OVERSEAS

NOTES

COMMODITIES AND AGRICULTURE

Copper prices under renewed pressure

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES came under renewed pressure again yesterday falling to the lowest level since last December on the London Metal Exchange. The higher-grade three months quotation droppedto £926 at one stage before rallying to close at £931.25 a tonne, £9.75 down on Friday's close. The cash price fell by £11.25 to £907.75.

There were several depressing influences accounting for the decline: The easier trend in gold and silver, the decision by U.S. producers to cut their domestic copper prices by 2 cents to 66 cents a lb, and a gloomy report from the Intergovernmental Council of Copper Exporting Countries (Cipec).

The report estimated that western world refined copper consumption fell by some 5 per cent during the first nine months of 1983 while production rose by 2.7 per cent during the same period.

There were, however, substantial purchases by China and Eastern Europe which reduced total available supplies to the western world.

Meanwhile, copper stocks held in the LME warehouses rose again last week by 3,000 tonnes pushing total holdings to a five-year peak of 419,125 tonnes.

The recent decline in aluminium stocks was reversed last week with a rise of 975 to 231,500 tonnes. Aluminium followed the downward trend in copper, with the cash price falling by £23.5 to £1,001.5 a tonne reflecting both trade and speculative selling.

Tin stocks rose too by 200 to 42,020 tonnes and LME silver holdings by 180,000 to 38,240,000 ounces.

Lead stocks fell again by 3,700 to 183,150 tonnes — the lowest level since May — and this helped lead resist the general decline in values. Zinc stocks fell by 1,000 to 105,000 tonnes but cash zinc lost £6.875 to £574.75 a tonne in nervous conditions awaiting the next U.S. mint tender on Thursday. Nickel stocks were only 12 tonnes down at 25,950 tonnes.

Aluminium controls plea

BY OUR COMMODITIES EDITOR

A PLEA for stricter controls on the exports of aluminium scrap from the European Community was delivered to the Government yesterday. A delegation from the Association of Light Alloy Refiners met Mr David Trippier, Department of Trade under-secretary.

The association, which represents the ten largest UK processors of aluminium scrap turned into ingots for recycling, urged that export quotas, which were abandoned in 1981, should be restored.

Last month the EEC Commission suspended all export licences for the remainder of the year following a steep rise in sales of aluminium scrap to third countries during the first eight months of the year. But the processors, who rely on scrap as their raw material, are worried about prospects for 1984.

The ministry promised to take the association's views into consideration. But there is considerable opposition to restrictions on exports from scrap merchants.

They claim that prices have been forced artificially low and that the restoration of export quotas, which were abandoned in 1981, are against the Government's free trade philosophy.

Sugar talks fail to resolve differences

DIFFERENCES among the world's four largest sugar exporters remained unresolved at the start of informal consultations in London yesterday on a future international sugar agreement, delegates attending the talks said.

EEC experts are reported to have made little or no headway in talks among themselves on the possibility of bridging differences with Australia, Brazil and Cuba over the regulatory mechanism for stabilising prices.

Australia has proposed establishing binding stocking commitments distributed among individual exporters by reference to their average export performance during the previous three years.

Brazil, with some support from Cuba, favours deciding on the overall amount of stocking obligations by first assessing global demand available to exporting members of the pact.

The differences, which have held up progress at two rounds of negotiations in Geneva, concern the amount of sugar which would be withheld from the market in order to support prices, delegates said.

Australia, Brazil and Cuba are not convinced the EEC's approach really tackles the problem of supporting prices at reasonable levels at times of world sugar surpluses.

The EEC, however, is not prepared to go further than its proposal for consultations at the time of falling prices combined with fall-back stocking obligations.

● World sugar prices continued the recovery begun on Friday with the London daily raws price gaining £4 to £141 a tonne.

Chicken rules the meat sales roost

Richard Mooney reports on changes in British eating and buying habits

BRITISH CHICKEN looks set to achieve one of its long-term ambitions this year — ousting beef as the country's top-selling meat. But the industry still has a little way to go to fulfil its other main aim—operating at a profit.

Chicken has undoubtedly been the success story of the UK meat market in the post-war years. From being an expensive treat it has become a staple part of the country's diet and has for some years been threatening beef's traditional supremacy.

"Chicken will become Britain's top-selling meat within the next 12 months," the British Chicken Information Service (BCIS) forecast in a recent report.

This proud forecast has already been achieved but the industry is holding itself back from premature crowing.

Total sales in the January-September period reached 264,033 tonnes, according to Audits of Great Britain figures, overtaking beef at 261,511 tonnes and leaving lamb 171,356 tonnes, pork 171,591 tonnes, and other meats 36,674 tonnes, further back in their wake.

So far, however, chicken sales have not established a big enough margin over beef to encourage the industry to make an official claim to market leadership.

The gap remains narrow enough to be whittled away again by the traditional winter rise in beef consumption before the year is out.

The upsurge in overall chicken sales masks some profound changes in the chicken market itself. The week-end market for whole chickens appears to have levelled off after years of growth and within this market sector there has been a noticeable movement towards fresh birds.

In the 1970s frozen whole chicken won an 84 per cent share of the market, but by last year this had shrunk to 47 per cent by volume and only 37 per cent by value. Part of this lost share has gone to fresh whole chicken, sales of which rose 16 per cent between 1977-82 to 92,000 tonnes, but most has gone to the market for chicken portions and further processed products.

Portions sales rose 18 per cent in 1981 and another 17 per cent last year to 99,000 tonnes. This was equivalent to a 27 per cent volume share but in value terms to a 34 per cent share of the market.

Of this total, uncooked portions accounted for 92,000 tonnes, up from 68,000 tonnes in 1980, with fresh portions increasing rapidly to equal frozen portions at 46,000 tonnes.

Fastest growth of all, however, is in the cooked chicken sector. Cooked whole chicken sales rose 13 per cent in 1981 and 20 per cent in 1982 to 5,000 tonnes, while cooked portions gained 27 per cent in 1981 and 43 per cent in 1982, to 7,200 tonnes.

As the most exciting area in the market the BCIS singles out what it calls "special recipe" chicken lines.

"Chicken lends itself to a huge variety of presentations, from fast food lines to pre-prepared haute cuisine dishes and with more and more producers becoming involved in new product development the already considerable activity in this area is certain to increase," the service says.

For all the growth in volume sales, however, most of the UK chicken industry is still making insufficient profits. Cut-throat competition in the retail market has had knock-on effects for producers which have made it difficult for cost increases to be passed on.

The net result has been 12 to 15 months of general loss-making from which the industry is only now beginning to emerge. The further-processed sector is believed to be doing reasonably well, as is the whole-frozen chicken sector. But fierce competition has caused many fresh chicken producers to run into the red.

The situation is not helped by a continued rise in imports, which by October 10 this year had reached 33,000 tonnes.

Review of the British Retail Chicken Market 1983.

Tea values jump at London auctions

By John Edwards, Commodities Editor

TEA PRICES jumped again at the London auctions yesterday, continuing the recent strong upsurge in the market. Prices were between 10-20p per kilo dearer. The average price for quality teas rose to 237p compared with 214p a week ago. Medium grade increased by 19p to 215p and low medium by 7p to 173p.

Trade sources said nothing had happened to change the "bullish" supply-demand situation that has been driving prices up. Prices were also rising at overseas auctions such as Calcutta and Mombasa.

Buyers are said to be still following the market up and up, even though prices are at the highest level since 1977.

● CUSTOMS officials working to rule caused some delays but no major problems at Rotterdam port.

● THE GOVERNMENT has announced proposals on regulating the exploitation and marketing of natural mineral waters.

● FIRE IN A Bradford warehouse owned by London wool brokers destroyed some wool sold or due for sale but the amounts were not of international significance and sales are to be held as scheduled.

● THE GOVERNMENT is to support international moves to ban commercial trade in the giant panda and its skins.

● OYSTER FARMING is being revived in Orkney, where beds were destroyed by over dredging and over fishing. However, there are now 16 oyster farms and growers aim to produce 1m oysters a year by 1986.

● SHANDONG, China's biggest cotton producing province, expects a record harvest of £1m tonnes this year.

Farm tenancies Bill faces widespread criticism

BY BARBARA DALZELL

THE Agricultural Holdings Bill goes to its Second Reading in the Lords today against a background of criticism from many groups interested in farm tenancies.

The Bill is a package put forward jointly by the National Farmers' Union (NFU) and the Country Landowners' Association (CLA). Its main provisions are a new formula for arbitration on rents for agricultural land and the abolition—for new tenancies—of the present statutory three-generation right of succession.

The legislation aims to reverse the decline in farm tenancies.

The Tenant Farmers' Association (TFA) broadly agrees with the rent formula proposed but is concerned about provisions on retirement and transfer of tenancies. It urges measures to enable farmers to transfer tenancies in readiness for retirement, to remove the restriction which says that tenants may not appeal to the Agricultural Land Tribunal before the age of 65, and to over-turn the ruling that prevents a would-be successor going back to the tribunal where an application for a transfer has already been refused.

The association also seeks to change CLA proposals that where a tenant farmer with two or three farms dies the transfer shall be regarded as one commercial unit.

In theory, this would put two holdings back onto the farm tenancy market but the TFA fears that such land will be reabsorbed by landowners.

The TFA is also urging the Lords to introduce a proper retirement policy where the owner can serve notice on a tenant who is more than 65. As a quid pro quo, it suggests that leases should no longer stipulate full repair and insurance by tenants.

The Incorporated Society of Valuers and Auctioneers welcomes the Bill but opposes the clause which seeks to transfer responsibility for the appointment of arbitrators from the Minister of Agriculture to the president of the Royal Institute of Chartered Surveyors.

Jones Lang Wootton, chartered surveyors, says the rent review provisions are open to "imprecise and contradictory" interpretation.

The Farmers' Union of Wales opposes the end of the three-generation right of succession, arguing that the 1976 provisions are fair and reasonable.

It argues that legislation to stop the decline in the farm rented sector must look at ways of making the partnership attractive by seeing to landowners' financial needs and providing security for tenants.

It points out that the present right of succession does not guarantee that farm tenancies can be passed on. Only about half of those would-be successors who are eligible to apply for a transfer win their cases.

WEEKLY PRICE CHANGES

In tonnes unless stated otherwise	Nov. 7 1983	+ or —	Month ago
Metals			
Aluminium	£1050	......	£1050
Free Mkt	$1560/1568	......	$1585/618
Copper	[illegible]	[illegible]	[illegible]
Cash h grade	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Cash Cathode	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Gold troy oz	[illegible]	[illegible]	[illegible]
Lead Cash	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Nickel	[illegible]	[illegible]	[illegible]
Free mkt	[illegible]	[illegible]	[illegible]
Palladium oz	[illegible]	[illegible]	[illegible]
Platinum oz	[illegible]	[illegible]	[illegible]
Quicksilver	[illegible]	[illegible]	[illegible]
Silver troy oz	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Tin cash	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Tungsten	[illegible]	[illegible]	[illegible]
Wolfr'm 22.04 lb	[illegible]	[illegible]	[illegible]
Zinc Cash	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]

	Nov. 7 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$905y	+5	$880
Groundnut	‡	......	$1095
Linseed Crude	[illegible]	[illegible]	[illegible]
Palm Malayan	[illegible]	[illegible]	[illegible]
Seeds			
Copra Phil	[illegible]	[illegible]	[illegible]
Soyabean (U.S.)	[illegible]	[illegible]	[illegible]
Grains			
Barley Fut. Jan	[illegible]	[illegible]	[illegible]
Maize	[illegible]	[illegible]	[illegible]
Wheat Fut. Jan	[illegible]	[illegible]	[illegible]
No2 Hard Wint	[illegible]	[illegible]	[illegible]
Other commodities			
Cocoa ship't	[illegible]	[illegible]	[illegible]
Fut. March	[illegible]	[illegible]	[illegible]
Coffee Ft. Jan	[illegible]	[illegible]	[illegible]
Cotton A.Index	[illegible]	[illegible]	[illegible]
Gas Oil Dec	[illegible]	[illegible]	[illegible]
Rubber (kilo)	[illegible]	[illegible]	[illegible]
Sugar (Raw)	[illegible]	[illegible]	[illegible]
Wool tops 64s	[illegible]	[illegible]	[illegible]

‡ Unquoted. u Dec. v Jan. x Dec-Jan. y Nov-Dec. † Per 76 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL SPOT PRICES

	Latest	+ or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.35-28.55	—
Iranian Light	27.90-28.00	+0.05
Arabian Heavy	26.35-26.55	+0.05
North Sea (Forties)	29.20-29.40	+0.05
North Sea (Brent)	29.35-29.50	—0.05
African(Bonny L'ht)	29.75	+0.05
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	296-302	—
Gas oil	255-262	—0.5
Heavy fuel oil	171-175	—

GAS OIL FUTURES

The market opened at the highs and barely moved in very light trading during the morning. On the reopening U.S. selling began a downward move and prices dropped by about $2.00 before finding some support, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Nov	253.50	—0.75	256.00-53.00
Dec	256.50	—0.50	258.00-56.00
Jan	256.75	—0.25	259.00-56.50
Feb	255.50	—0.50	257.00-55.00
Mar	250.50	—0.25	252.00-51.00
April	246.50	—0.75	248.00-46.50
May	243.50	—0.75	246.25
June	243.50	—0.50	—
July	243.30	+0.50	—

Turnover: 1,325 (2,373) lots of 100 tonnes.

GOLD MARKETS

Gold fell $3¼ an ounce from Friday's close in the London bullion market yesterday to finish at $378¼-379. The metal opened at $377¾-378½ and traded between a high of $379½-380½ and a low of $376½-377. There was very little fresh news to influence trading with the dollar's strength inhibiting any firmer trend.

In Frankfurt the 12½ kilo bar was fixed at DM 32,700 per kilo ($379.02 per ounce) against DM 32,960 ($384.98) previously and closed at $378¾-379¼ from $380½-381½.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at the fixing was $377.25 from $384.0 on Friday.

In Paris the 12½ kilo bar was fixed at FFr 99,500 per kilo ($379.63 per ounce) in the afternoon compared with FFr 99,500 ($379.72) in the morning and FFr 100,400 ($385.31) on Friday afternoon.

In Zurich gold finished at $378-$381 from $381-384.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
Nov	378.00-80.00	—3.00	—
Dec	381.20-81.50	—2.70	381.50-79.80
Feb	387.00-87.40	—2.80	385.80-85.00
April	393.50-93.80	—2.70	—
June	400.00-00.30	—2.75	—
Aug	405.40-06.80	—2.75	—

Turnover: 485 (1,056) lots of 100 troy ounces.

Gold Bullion (fine ounce)	Nov. 7		Nov. 4	
Close	$378¼-379	(£255-255⅛)	$382-382¾	(£257-257⅛)
Opening	$377¾-378½	(£254⅛-255)	$383⅛-384¼	(£258-258⅛)
Morning fixing	$377	(£253.878)	$382.50	(£256.936)
After noon fixing	$379	(£254.996)	$381	(£256.307)

Gold and Platinum Coins Nov. 7					
Krugrnd	$390½-391	(£263¼-263½)	King Sov	$92-93¼	(£62-63)
½ Krg	$201¼-202	(£135½-136)	Victoria Sov	$92-93¼	(£62-63)
¼ Krg	$102½-103¼	(£69-69½)	French 20s	$72¼-74	(£48¾-49¾)
1/10 Krug	$42-42¾	(£28¼-28¾)	50 pesos Mex	$457-459	(£308-309¼)
Mapleleaf	$390¼-390¾	(£263-263¼)	100 Cor. Aust	$370-374	(£249¼-252)
New Sov	$89¼-90	(£60¼-60¾)	$20 Eagles	$535-545	(£360½-367¼)
½ New Sov	$53½-54	(£36-36½)	Noble (Plat)	$391½-396	(£264-266¾)

EUROPEAN MARKETS

ROTTERDAM, November 7.

Wheat—(U.S. $ per tonne): U.S. two red winter Nov 20/Dec 10 161.50, Dec 161.50, Jan 162.50, Feb 164.50, March 166.50. U.S. northern spring 14 per cent protein Nov 186, Dec 189.50, Jan 194, Feb 195, March 195, April/May 181.50. U.S. three amber durum Nov 204, Nov 20/Dec 20 204, April/May 206. Canadian western spring Nov 15/Dec 15 212, April/May 217.

Maize—(U.S. $ per tonne): U.S. three yellow afloat 163, Nov 162.50, Dec 162, Jan/March 163, April/June 163 sellers. Argentine Plate afloat 174, Nov 175, mid-Nov/mid-Dec 175 sellers.

Soyabeans—(U.S. $ per tonne): U.S. two yellow gulfports Nov 338.25, Dec 340, Jan 344, Feb 348, March 352, April 353, May 353.75, Oct 274, Nov 274, Dec 278, Jan 282.50 sellers. Argentine afloat 334 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 270, Nov 273, Dec 278, Jan 285, Jan/March 285, April/Sept 276 sellers. Pellets Brazil Nov 302, Dec 304, Jan 308, April/Sept 287 sellers. Pellets Argentine afloat 279, Nov 290, Dec 296, Jan 299 sellers.

PARIS, November 7.

Cocoa—(FFr per 100 kg): Dec 1748-1755, March 1782-1787, May 1810-1820, July 1845 bid, Sept 1865 bid, Dec 1880-1900, March 1920 bid.

Sugar—(FFr per tonne): Dec 1910-1925, March 2090-2092, May 2165-2170, Aug 2264-2265, Oct 2325-2345, Dec 2370-2390.

REVIEW OF THE WEEK

BASE METALS

BASE-METAL PRICES lost ground on the London Metal Exchange. Copper dropped to the lowest levels since December as weakness in precious metals coupled with speculative selling saw forward metal decline to £926 before closing at £931. Aluminium and Nickel fell in sympathy, closing at £1,025.25 and £3,150 respectively. Zinc dipped to £584 at which point trade support encouraged a rally to £586.5 by the close of trading. Lead was also sustained by trade interest and closed at £281.5. Tin was finally £8,680, speculative selling being partly met by buffer stock support.

COPPER

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £907, three months £931, 30.50, 30, 30.50. Cathodes: Three months £911. Kerb: Higher Grade: Three months £930, 29.50, 29, 28.50, 28. Afternoon: Highter Grade: Three months 930, 29.50, 30, 31, 30.50, 31, 31.50, 31. Cathodes: Cash £88.50, three months £914. Kerb: Higher grade: Three months £931, 30.50, 30, 29, 28.50, 29, 29,30. Turnover: 40,550 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+or —†
High Grde	£	£	£	£
Cash	906.5-7	—8.75	907.5-8	—11.2
3 months	930-.5	—8.5	931-.5	—8.75
Settlem't	907	—.9	—	—
Cathodes				
Cash	887-.5	—8.75	888.5-9.5	—13
3 months	910-2	—8.5	913-4	—9.75
Settlem't.	887.5	—7	—	—
U.S. pro'd	—	—	*66-73	......

TIN

Tin—Morning: Standard: Cash £8,565, 60, three months £8,680, 70, 65, 70, 75, 70, 68, 75. High Grade: Three months £8,710. Kerb: Standard: Three months £8,670, 65. Afternoon: Standard: Three months £8,670, 60, 50, 55, 65, 75, 80, 72, 75, 80, 90, 87. High grade: Three months £8,710, 20, 25, 30. Kerb: Standard: Three months £8,685. High Grade: Three months £8,725. Turnover: 2,225 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	8720-30	—15	8760-90	—27.5
3 months	8710-20	—2.5	8690-5	—28.5
Settlem't	8730	—6	—	......
Standard.				
Cash	8560-5	—16	8580-90	+5
3 months	8676-80	—3	8690-5	+12
Settlem't	8565	—14	—	......
Straits E.	$30.06	+0.01	—	......
New York				

LEAD

Lead—Morning: Cash £272, three months £280, 80.25, 81, 81.50, 82, 81.50. Kerb: Three months £281.50. Afternoon: Cash £271.50, three months £282, 82.50, 82 25, 81.50. Kerb: Three months £281.50, 81. Turnover: 17,675 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	272-.25	—1.12	271.5-.75	—1.37
3 months	281.25-.75	—1.37	281-.5	—1
Settlem't	272.25	—1.25	—	......
U.S. Spot	—	......	*25.9	......

ZINC

Zinc—Morning: Three months £587, 86.50, 86, 86.50, 87. Afternoon: Three months £586.50, 87, 87.50, 87, 86.50, 87, 88, 88.50. Kerb: Three months £857.50, 87, 86.50, 86, 86.50. Turnover: 7,175 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	573-.5-4	—7.75	574.5-5	—6.37
3 months	586.75-7	—1.37	586-.5	—6
Settlem't	574	—6	—	......
Prim w'ts	—	......	*46-.75	......

ALUMINIUM

Aluminium—Morning: Cash £1,007, three months £1,035, 34, 33.50, 33, 32.50, 32. Kerb: Three months £1,032.50, 32, 31.50, 31, 30, 29, 27, 26, 27, 27.50, 28. Afternoon: Three months £1,030, 28, 28.50, 29, 29.50, 29, 28.50, 28, 27.50, 27. Kerb: Three months £1,027, 26.50, 26, 25, 24.50, 25, 25, 25.50, 25.50, 25. Turnover: 33,150 tonnes.

Aluminim	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1006-.5	—13	1001-2	—23.5
3 months	1032.5-1	—18.5	1027-.5	—23

NICKEL

Nickel — Morning: Three months £3,175, 70, 65, 68, 69, 68, 65, 63, 65. Afternoon: Three months £3,170, 65, 63, 61, 63, 64, 61, 63, 62, 63, 65, 63. Kerb: Three months £3,161, 60, 55, 50. Turnover: 1,404 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3090-5	—29	3088-92	—3.5
3 months	3165-6	—27	3163-4	—25.5

* Cents per pound. ‡ MS per kilo. † On the previous unofficial close.

SILVER

Silver was fixed 5.1p an ounce lower for spot delivery in the London bullion market yesterday at 595.95p. U.S. cent equivalents of the fixing levels were: spot 882.0c, down 8.5c; three-month 902.5c, down 7.9c; six-month 924.5c, down 7.5c; and 12-month 963.3c, down 10.9c. The metal opened at 594-596½ (882-886c) and closed at 594½-597p (882-886c).

LME Silver (2,000 ounce contract)—Three months: 607p (615p). Turnover 2 (20) lots.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	595.95p	—5.10	594.0p	—8
3 months	606.60p	—4.80	607.0p	—7.5
6 months	619.80p	—4.85	—	......
12months	647.30p	—7.30	—	......

Turnover 84 (109) lots of 10,000 ozs. Morning: Large contract three months 608.5, 08.5, 08.8, 07.0; small three months 608.0. Kerb: large three months 606.0. Afternoon: Large three months 608.0. Kerb: large three months 607.0.

COCOA

Futures traded within a narrow range and physicals reflected the lack of interest and only limited activity was noted, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£per tonne		
Dec	1453-55	—10.5	1466-53
March	1463-64	—5.0	1472-61
May	1469-70	—10.0	1482-68
July	1478-79	—11.5	1493-79
Sept	1488-89	—11.0	1500-89
Dec	1495-06	—11.5	1512
March	1511-18	—14.5	1530-29

Sales: 2,176 (3,553) lots of 10 tonnes.

ICCO—Indicator prices (U.S. cents per pound). Daily price for Nov 7: 95.55 (96.34): five-day average for Nov 8: 94.80 (94.60).

COFFEE

Following a slightly better opening, the market suffered a £25 setback under strong trade selling, reports Drexel Burnham Lambert. Commission house buying and short-covering operations improved values during afternoon dealings with prices consolidating in mid-range on nearbys.

COFFEE	Yest'day's Close	+ or —	Business Done
Nov	1825-30	—8.0	1838-24
January	1831-32	—7.0	1846-20
March	1799-00	+3.0	1806-85
May	1759-62	+1.0	1766-46
July	1732-36	+1.5	1738-25
Sept.	1715-25	+10.0	1720-02
Nov	1690-00	+6.0	1685

Sales: 4,190 (1,765) lots of 5 tonnes.

ICO Indicator prices (U.S. cents per pound) for Nov 4. Comp daily 1979 135.54 (135.88): 15-day average 136.00 (138.04).

GRAINS

Business done—Wheat: Nov 119.20-9.15, Jan 122.65-2.35, March 125.60-5.30, May 128.55-8.20, July 131.40-1.05, Sept 116.75-5.90. Sales: 163 lots of 100 tonnes. Barley: Nov 116.15 only, Jan 119.40-9.35, March 122.55-2.40, May 124.50-4.35, Sept 112.50 only. Sales: 57 lots of 100 tonnes.

WHEAT			BARLEY	
Mnth.	Yestrday's close	+ or —	Yest day's close	+ or —
Nov	119.55	+0.15	116.25	—
Jan	122.60	—	119.40	—
Mar	125.55	—	122.55	+0.05
May	128.55	+0.05	124.50	+0.05
July	131.40	—	—	—
Sept.	115.90	—0.85	112.15	—0.60

HGCA — Locational ex-farm spot prices. Feed barley: N East 119.70. The UK monetary coefficient for the week beginning Monday, November 14, based on HGCA calculations (using 4 days exchange rates) is expected to remain unchanged.

Wheat eased 30p but found strong country merchant buying support to pare the losses. Barley was extremely quiet. New crops again met country selling with the wheat "A" contract losing £2 from opening level, reports Muirpace.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 14 per cent Nov 138.50, Dec 139.00, Jan 141.25 trans-shipment East Coast sellers. English feed fob Dec 125.50, Jan-Mar 128.00 East Coast sellers. Maize: French Nov 146.00, Dec 147.50, trans-shipment East Coast sellers. Barley: English feed fob Jan-Feb 126.00 East Coast sellers. Rest unquoted.

POTATOES

November traded higher initially, reaching £165 before buyers withdrew leaving sellers to move prices down again by the close. Forward positions came under some selling pressure in light trade but recovered from the lows towards the close, reports Coley and Harper.

Month	Yestday's close	Previous close	Business Done
	£ per tonne		
Nov	161.30	162.50	165.00-61.2
Feb	185.00	189.50	189.00-85.0
April	217.50	222.60	221.90-16.0
May	222.10	227.00	225.50-21.5
Nov	79.00	81.00	—

Sales: 554 (930) lots of 40 tonnes.

RUBBER

The physical market opened unchanged, attracted little interest throughout the day and closed dull, reported Lewis and Peat. The Kuala Lumpur November fob price for RSS No. 1 was 254.25 (253.0) cents a kg and for SMR20 212.50 (same).

No. 1 R.S.S.	Yestday's close	Previous close	Business Done
	£ per tonne		
Dec	797-801	789-799	—
Jan.	794-800	790-805	—
JanMch	798-800	795-796	808-798
Apl-Jne.	816-817	811-814	823-816
Jly-Sept	830-831	826-827	831
Oct-Dec	845-847	840-844	853-847
JanMch	859-862	855-859	—
Apl-Jne	874-878	870-875	—
JlySept	889-892	885-890	—

Sales: 74 (14) lots of 15 tonnes, nil (same) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 79.00p (same). Dec 80.00p (79.50p); Jan 80.50p (80.00p).

SOYABEAN MEAL

The market opened £1.00 up on follow-through buying and prices remained steady throughout the session, reports T. G. Roddick.

	Yestday's close	+ or —	Business Done
	£ per tonne		
Dec	188.20-88.80	+0.85	188.50-87.50
Feb	194.80-95.00	+0.85	195.50-94.50
April	196.20-96.50	+0.80	196.40-95.50
June	192.80-93.10	....	193.50
August	192.50-93.50	—0.25	193.50
October	178.00-82.00		—
Dec	166.50-71.00	—0.25	—

Sales: 87 (206) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £141.00 (£137.00) a tonne for Nov-Dec shipment. White sugar £153.00 (same).

The market improved some £5.00 from pre-weekend levels following a report that the Philippines had recently purchased substantial quantities of white sugar for domestic consumption, reports C. Czarnikow.

No.4 Contract	Yest day's close	Previous close	Business done
	£ per tonne		
Dec	155.80-56.00	150.80-55.50	155.25-49.00
Mar	165.80	158.75	165.00-56.00
May	168.60	163.80	170.25-64.50

Sales: 5,105 (5,400) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £249.00 (£244.75) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for Nov 4: Daily price 8.31 (7.85); 15-day average 9.02 (9.13).

TEA AUCTIONS

LONDON TEA AUCTION — 22,952 packages were on offer at this week's sale, including 600 packages in the offshore section. Demand continued very strong and active with prices 10-20p dearer throughout and sometimes more. Offshore teas sold readily at dearer levels. Quality 237 pakg (214p), medium 215 pakg (196p), low medium 173 pakg (166p). The highest price realised this week was 248p for an Assam PF.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 217 tonnes. Renewed pressure for supplies was exerted and useful buying was recorded in a wide variety of styles. These included Middle Eastern qualities, while attention was also centred on North and South American growths.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 551.0, 553.0, 553.0-551.0; March 570.0, 571.0, 570.0-569.0; May 581.0, 584.0, untraded: July 595.0, 597.0, untraded; Oct 590.0, 591.0, 592.0-590.0; Dec 601.0, 604.0, 603.0-601.5; March 616.0, 622.0, untraded; May 620.0, 630.0, untraded. Sales: 71.

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business. New Zealand cents per kg. Jan 408, 412, 407; March 413, 418, 412: March 413, 418, 412: May 420, 424, 419; Aug 434, 435, 434-433: Oct 438, 437, 435; Dec 438, 439, 438; Jan 439, 440, 439: March 448, 450, 448; May 449, 455, 449. Sales: 41.

JUTE

JUTE—C and f Dundee Nov BWC £320.50, BWD £294, BTB £351, BTC £320, BTD £294.50; c and f Antwerp BWC £319.50, BWD £293, BTC £318, BTD £293.50; c and f Dundee Nov 40 in 10 oz £16.14, 40 in 7½ oz £12.38; B twills £48.61.

INDICES

FINANCIAL TIMES

Nov. 4	Nov. 3	M'th ago	Y'ar ago
286.92	285.66	287.14	250.44

(Base: July 1 1952=100)

REUTERS

Nov. 7	Nov. 4	M'th ago	Y'ar ago
1887.5	1883.3	1890.7	1527.8

(Base: September 18 1931=100)

MOODY'S

Nov. 4	Nov. 2	M'th ago	Yearago
1014.4	1014.4	1061.4	985.9

(Base: December 31 1974=100)

DOW JONES

Dow Jones	Nov. 4	Nov. 2	Month ago	Year ago
Spot	135.63	135.51	140.51	129.0
Fut's	142.95	142.06	146.35	135.85

(December 31 1931=100)

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.00p per kg lw (−0.13). GB—Sheep 125.04p per kg est dcw (−2.39). GB—Pigs 78.31p per kg lw (+1.18).

SMITHFIELD — Meat (Pence per pound). Beef—Scotch killed sides 81.0-87.5; Eire forequarters 58.5-60.5. Veal—Dutch hinds and ends 139.0-143.0. Lamb—English small 60.0-63.0, medium 56.0-60.0, heavy 53.0-55.5; Imported: New Zealand PL 59.3-60.0; PX 56.8-57.5. Pork—English under 100 lbs 49.5-55.0, 100-120 lbs 48.0-53.5, 120-160 lbs 43.0-52.0.

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: shelf cod £4.00-6.00, codlings £4.00-5.00; large haddock £4.00-4.40, medium £3.40-4.00, small £2.00-2.80; small plaice £4.50-5.30; skinned dogfish (large) £8.00, (medium) £4.00; lemon sole (small) £10.00; rockfish £4.30; reds £1.60-2.40; saithe £1.80-3.50.

COVENT GARDEN—Prices for the bulk produce, in sterling per package except where otherwise stated. Imported produce: Satsumas—Spania: 3.00-3.80. Oranges—Spania: 42/48/54 60 6.80, 70/80/90 6.00-6.30, 100/110/120 5.50-5.80; Outspan: Valencia Lates 56 7.70, 72 7.70, 88 7.60, 112 6.60, 138 6.30, 150 5.30; Brazilian: Valencia Lates 5.00-5.50; Uruguayan: 5.00-5.20. Lemons—Italian: Carton 6.00-6.50; Turkish: 4.50-5.00; Cyprus: 10 kg boxes 4.00-5.00; Greek: 10 kg 4.00-4.50. Grapefruit—Cuban: 4.00-4.20, Pink 6.00; Jaffa: 32 5.80, 36 6.00, 40 6.20, 48 5.95, 56 5.65, 64 5.40; U.S: Ruby 9.60-10.80; Cyprus: 40/48 5.00, 56/64 4.60. Apples—French: Golden Delicious carton 6.50-7.50, Granny Smith carton 7.60-8.20, half-carton 3.60-4.00, Starkrimson, carton 6.80-7.20; Italian: 21 kg Golden Delicious 6.00, Starking 6.60; Hungarian: Red Delicious 19 kg approximately 6.80-7.00; U.S.: Red Delicious new season cartoa 12.50-13.50. Pears—Italian: Williams 0.20-0.24. Grapes—Italian: Per pound. Italia 0.30-0.38; Spanish: Italia 0.32-0.38, Almeria 0.18-0.22, Napoleon 0.25-0.27. Melons—Spanish: 10 kg green 3.00-4.00; Galia small tray 4.00-5.00; Israeli: Galia 4.00- [illegible]

AMERICAN MARKETS

NEW YORK

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2023	2050	2010	2024
March	2047	2062	2029	2043
May	2068	2075	2050	2061
July	2079	2090	2062	2078
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs, cents/lb [illegible]

COFFEE "C" 37,500 lbs, cents/lb [illegible]

COTTON 50,000 lb, cents/lb [illegible]

GOLD 100 troy oz, $/troy oz [illegible]

ORANGE JUICE 15,000 lbs, cents/lbs [illegible]

PLATINUM 50 troy oz, $/troy oz [illegible]

SILVER 5,000 troy oz, cents/troy oz [illegible]

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	9.46	9.30	9.29	9.08
March	9.81	9.96	9.76	9.52
May	10.13	10.26	10.10	9.76
July	10.43	10.59	10.41	10.08
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb [illegible]

MAIZE 5,000 bu min, cents/56lb-bushel [illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel [illegible]

SOYABEAN MEAL 100 tons, $/ton [illegible]

SOYABEAN OIL 60,000lb, cents/lb [illegible]

WHEAT 5,000 bu min, cents/60lb-bushel [illegible]

LIVE HOGS 30,000 lb, cents/lb [illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar threatens August peaks

Threats of an escalation to the fighting in Lebanon, and expectations that U.S. interest rates will remain firm for the foreseeable future, gave the dollar another boost on the foreign exchanges yesterday. It touched record levels against some currencies, and once again looked like moving within striking distance of the 10-year high reached against the D-mark in August. Friday's M1 money supply rise of $900m was fairly close to expectations, but the growing strength of the economy, underlined by the fall in October unemployment, led to speculation that interest rates would remain firm to dampen inflationary pressure.

Sterling eased against the dollar, but continued to rise with the dollar against Continentals. Today's UK money supply figures are not expected to encourage another cut in base rates, lending weight to the latest forecast from Barclays Bank, while threats to Middle East oil supplies are also supporting the pound.

DOLLAR — Trade-weighted index (Bank of England) 128.2 against 122.0 six months ago. The dollar has been steadily appreciating in recent weeks, and is once again at or threatening the record levels touched in August. Growing tension around the world is supporting the currency, but an equally major factor is speculation that bunching of Treasury auctions and an expected surge in the money supply will combine with inflationary pressures from strong economic recovery to prevent an easing of Federal Reserve monetary policy.

The dollar rose to DM 2.6815 from DM 2.6685 against the D-mark; FFr 8.14 from FFr 8.1075 against the French franc; SwFr 2.1790 from SwFr 2.1690 in terms of the Swiss franc; and Y237.05 from Y236.45 against the Japanese yen.

STERLING—Trading range against the dollar in 1983 is 1.6235 to 1.4540. October average 1.4977. Trade-weighted index 84.2 against 84.2 at noon, 84.1 at the opening, 83.9 at the previous close, and 84.7 six months ago. The pound has drifted slightly against the dollar, but is moving up with the U.S. currency against Continentals. This trend has been encouraged by unsettled conditions in the Middle East and the threat to Western oil supplies, plus fading hopes of further cuts in clearing bank base rates.

Sterling traded within a narrow range of $1.4830 to $1.4870. It opened at $1.4840-1.4850, and closed at $1.4835-1.4845, a fall of 30 points on the day.

The pound was unchanged at Y352, but firm against Continentals, rising to DM3.98 from DM 3.97; FFr 12.0775 from FFr 12.0550; and SwFr 3.2350 from SwFr 3.2275.

D-MARK — Trading rose against the dollar in 1983 is 2.7315 to 2.3320. October average 2.6023. Trade weighted index 125.6 against 130.0 six months ago. The D-mark has improved after falling to its lowest level for nearly 10 years against the dollar in August. As U.S. money supply figures have improved, attention has switched to German money supply growth which is causing some concern and encouraging the Bundesbank to keep interest rates firm. More recently, renewed fears of higher U.S. interest rates and Middle East unrest have encouraged a switch back into dollars however.

The dollar was fixed at DM 2.6828 at yesterday's fixing in Frankfurt, up from an opening level of DM 2.6750 and Friday's fixing of DM 2.6632. The Bundesbank was active at the fixing, selling an estimated $16.6m. The D-mark recovered a little later in the day, following news of a fresh money market repurchase agreement by the Bundesbank at a higher rate of 5.6 per cent. Political and military unrest in the Middle East served to keep the dollar's undertone firm however.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.9695	+2.38	+1.67	±1.5447
Danish Krone ...	8.14104	8.15246	+0.14	−0.57	±1.6425
German D-Mark	2.24184	2.28469	+1.02	+0.31	±1.0642
French Franc ...	6.87456	6.88365	+0.13	−0.58	±1.4052
Dutch Guilder ...	2.52595	2.53909	+0.52	−0.19	±1.4964
Irish Punt	0.72569	0.727974	+0.31	−0.40	±1.6699
Italian Lira	1403.49	1371.34	−2.29	−2.29	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

THE POUND SPOT AND FORWARD

[illegible]

THE DOLLAR SPOT AND FORWARD

[illegible]

EXCHANGE CROSS RATES

Nov. 7	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Canadian Dollar	0.546	0.810	2.171	192.0	6.589	1.765	2.433	1313.	1.	44.03
Belgian Franc 100	1.239	1.839	4.932	435.2	14.97	4.009	5.527	2982.	2.271	100.

MONEY MARKETS

A surplus in London

London short-term interest rates maintained a slightly easier tone yesterday, despite the forecast from Barclays Bank in its financial survey that "rates have as near as makes no difference, reached a bottom, barring a further fall in international rates."

The softer trend was encouraged by the Bank of England forecast of a £200m money market surplus in the morning, although this was later revised to a surplus of £150m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills from Friday's tender absorbed £402m, but this was outweighed by Exchequer transactions adding £310m to liquidity, and a fall in the note circulation of £275m.

The authorities did not intervene in the market during the morning, but in the afternoon drained part of the surplus by selling £93m Treasury bills maturing today, at 8 7/16-8 1/2 per cent.

In New York Federal funds traded around 9 3/8 per cent for most of the morning, but moved up to 9 7/16 per cent shortly before lunch as the Federal Reserve failed to intervene in the local money market. Nervousness continued about the ability of the Treasury to carry out this week's rescheduling programme under the present debt ceiling restrictions.

In Frankfurt the Bundesbank offered further funds to the very unsettled domestic money market, in the wake of the Schroeder, Muenchmeyer, Hengst rescue, and the following developments involving construction group IBH, which has major links with the West German private bank. The authorities have offered another securities repurchase agreement at a fixed rate of 5.6 per cent. Shortly before the announcement call money was bid at 5.65 per cent. The scale of the lending will be announced today, and the agreement will run from tomorrow until December 7. Official intervention last week totalled about DM 10bn. Apart from a securities repurchase pact of DM 7.5bn, the Bundesbank also added some DM 2.5bn by way of currency swaps.

Lombard borrowing remained heavy over last weekend at DM 8.4bn, little changed from Thursday.

LONDON MONEY RATES

Nov. 7 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-9 1/8	8 5/8-8 7/8	—	—	8 1/4-9	7 3/4-8 1/8	—	—	—
2 days notice	—	—	9	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	9 1/4-9 5/8	—	—	—	—
7 days notice	—	9-9 1/4	9	—	—	—	9	—	—	—
One month	9 1/4-9 3/16	9 3/16-9 1/4	9 1/8	9 3/4-9 1/2	9 1/16	9 5/8	9	9 1/32	9 1/32	9 1/4
Two months	9 1/4-9 1/16	9 1/4-9 1/16	9 1/8	9 5/8-9 1/4	9 1/4	9 1/2	9	8 31/32	8 31/32	9 3/32
Three months	9 1/4-9 1/16	9 1/4-9 3/8	9 1/4	9 5/8-9 1/4	9 3/8	9 1/2	9	8 7/8	8 15/16	9 1/32
Six months	9 5/16-9 1/16	9 5/16-9 1/16	9 5/8	9 5/8-9 1/8	9 1/16	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	9 1/16-9 5/8	9 7/16-9 11/16	9 1/2	9 3/4-9 1/2	9 5/8	—	[illegible]	[illegible]	[illegible]	[illegible]
One year	9 13/16-9 13/16	9 11/16-9 13/16	9 5/8	9 3/4-9 1/2	9 13/16	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	—	10 1/4-10 3/8	—	—	—	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Export Scheme IV. Average rate for interest period October 5 to November 1 1983 (inclusive) 9.393 per cent.

Local authorities and finance houses seven days notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10 3/4 per cent; four years 11 per cent; five years 11 1/4 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four months' bank bills 8 [illegible] per cent.

Approximate selling rate for one-month Treasury bills 9 per cent; two months [illegible] per cent; three months 8 27/32-8 29/32 per cent. Approximate selling rate for one-month bank bills 9 per cent; two months [illegible] per cent; three months 8 7/8 per cent; trade bills one month 9 11/32 per cent; two months 9 11/32 per cent; [illegible]

Finance House Base Rate (published by the Finance Houses Association): 10 per cent from November 1 1983. London and Scottish Clearing Bank Rates for lending: 9 per cent. London Deposit Rates for sums at seven days' notice: [illegible] per cent.

Treasury Bills: Average tender rates of discount 8.8322 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9 1/2 per cent; one-three months 9 3/4 per cent; three-six months [illegible] per cent; six-12 months 10 per cent. Under £100,000 9 1/4 per cent from October 6. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Nov. 7	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	9-9 1/8	9 1/8-9 3/8	9 1/8-9 1/4	9 1/4-9 3/8	9 3/8-9 1/2	9 5/8-9 3/4

[illegible]

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	9 3/16
Treasury bills (13-week)	8.78
Treasury bills (26-week)	8.90

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. NOVEMBER 7)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 15/16	offer 10 1/16	bid 10 1/16	offer 10 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices eased in the London Financial Futures Exchange yesterday. The softer trend was principally a reflection of market concern over the Federal authorities refunding programme. This is risking serious disruption in view of legislative delays in raising the U.S. debt ceiling with a potential bunching later in the year increasing the possibility of a technical rise in interest rates. The authorities are continuing with three auctions this week however as this is possible within current limits.

Friday's rise in U.S. M1 money supply was digested without any real reaction, reflecting both some degree of anticipation and a switch in emphasis to the Government's refunding programme. The December Euro-dollar price opened at 89.98 down from Friday's close of 90.07 and touched a low of 89.93 before recovering to finish at 90.04.

Gilt prices also dipped on the prospect of higher U.S. interest rates but the market gained some comfort from sterling's better overall performance. The December contract, which was the only date dealt in, opened at 107-23 and fell to a low of 107-12 before finishing at 107-27 compared with 108-00 on Friday.

Short sterling prices derived little inspiration from a virtually static cash market. However, the undertone remained firm with some sources suggesting a gentle drift towards a further half point cut in UK clearing bank base rates towards the end of this year.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	90.04	90.05	89.93	90.07
March	89.62	89.62	89.50	89.66
June	89.30	89.30	89.20	89.34
Sept	89.05	89.05	88.96	89.08
Dec	88.89	—	—	88.92

Volume 2,989 (2,881)
Previous day's open int. 8,273 (8,147)

[illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4237	0.4237	0.4229	0.4243
March	0.4275	—	—	0.4277
June	0.4310	—	—	0.4312

Volume 28 (63)
Previous day's open int. 145 (169)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	69-30	70-02	69-26	70-14
March	69-12	69-15	69-07	69-27
June	68-27	68-30	68-23	69-11
Sept	68-13	68-15	68-10	68-29
Dec	68-01	68-02	67-30	68-17
March	67-23	67-24	67-23	68-06
June	—	—	—	67-29
Sept	—	—	—	67-21

[illegible]

	Latest	High	Low	Prev
March	—	—	—	—
June	—	—	—	64-15
Sept	63-24	63-24	63-20	64-05
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 7 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for November 7.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¼ 90	100	93⅜	93⅞	-0⅜	-1	11.68
Australia Comm 11¼ 90	100	100	100½	–	–	11.19
Australia Comm 11½ 95	300	96¾	97¼	–	–	11.88
Australia Comm 11⅝ 98	100	96⅞	97⅜	–	–	12.04
Bank of Tokyo 11 90	100	94⅞	95¼	-0⅜	-0⅞	12.13
British Col Hyd 10¼ 88	200	96⅛	96¾	-0¼	-1⅜	11.27
Britoil Fin 11⅞ 90	125	99¼	99¾	-0¼	-1	11.98
Canada 10⅞ 88	500	97⅝	98⅛	–	–	11.42
C.C.C.E. 11¾ 87	100	92⅞	93⅜	-0⅞	-1⅜	12.86
C.C.C.E. 12⅝ 85	75	98½	98¾	-0½	-1⅛	12.88
Can Imp Bk Com 11 90	75	92⅞	93⅜	0	-0⅛	12.61
Citicorp O/S 10⅞ 90	100	91⅞	92¼	-1¼	-1⅜	12.19
Citicorp O/S 11¾ 90	100	96⅞	97⅜	-0¼	-0⅞	12.38
Coca Cola Int 9⅞ 92	100	91⅜	91⅞	-0¼	-0½	11.42
Cred Suisse BAH 10½ 90	150	97⅞	98⅜	-0⅜	-0⅝	10.98
Den Norsk Cred 11¼ 93	50	92⅝	93⅛	-0⅞	-0¾	12.54
E.C.S.C. 11⅞ 90	75	98⅝	99⅛	-0⅜	-1⅛	12.10
E.D.F. 11⅛ 93	100	92⅜	92⅞	-0¼	-0⅞	12.46
E.E.C. 11 87	350	98	98½	-0⅛	-0⅝	11.56
E.I.B. 10¾ 93	200	91½	92	-0¼	-1⅛	12.23
E.I.B. 11 91	125	94⅝	95⅛	-0¼	-0⅞	12.06
E.I.B. 11⅞ 93	150	97⅜	97⅞	-0½	-0⅝	12.29
Electrolux 10½ 90	50	91⅛	91⅝	-0⅛	-0⅞	12.40
Emerald Fin 11⅝ 93	100	95¾	96¼	0	-0½	12.33
Fuji Int Fin 10⅞ 90	100	92¾	93¼	-0¼	-1	12.47
Gen Elec Credit 9¾ 91	100	91	91½	-0½	-0⅞	11.50
GMAC O/S Fin 10½ 90	200	96¼	96¾	-0½	-1	11.29
GMAC O/S Fin 11⅜ 90	100	98½	99	-0⅛	-0¼	11.64
Honeywell Int 10¾ 90	100	97⅛	97⅝	-0⅜	-0¾	11.32
Indust Bk Japan 10⅞ 88	100	96⅝	97⅛	-0⅛	-0⅞	11.77
Japan Air Lines 10⅞ 98	42	92⅜	92⅞	-0¼	-0½	11.85
Japan Air Lines 11 93	75	94⅝	95⅛	-0½	-1	11.98
J.C. Penney 11⅞ 90	100	100⅛	100⅝	-0⅛	+0⅛	11.78
J. P. Morgan 11⅜ 90 WW	150	97⅛	97⅝	-0⅜	-0⅝	11.94
Levi Strauss Int 11 90	75	96⅛	96⅝	-0⅛	-0⅞	11.79
L.T.C.B. 10¾ 90	100	93	93½	-0⅜	-1	12.27
L.T.C.B. 12½ 90	85	101¾	102¼	-0⅛	-0⅞	12.04
Merrill Lynch 10⅝ 90	200	93⅝	94⅛	-0⅜	-1⅛	12.00
Mitsubishi Corp 10½ 90	100	93⅜	93⅞	-0¼	-0¾	11.93
Mitsubishi Fin 11⅜ 90	100	95¾	96¼	-0⅛	-0¾	12.26
Nippon Credit 11 90	100	93¾	94¼	-0⅝	-1⅛	12.38
O.K.B. 10 91	100	89⅞	90⅜	-0⅛	-0⅝	12.05
Ontario Hydro 10¼ 90	250	93½	94	-0⅞	-0¾	11.64
Ontario Hydro 11¾ 90	200	99½	100	-0½	-1	11.79
Pacific Gas & Elec 12 91	75	101½	102	0	-0½	11.64
Prudential O/S 10⅝ 93	100	95¼	95¾	-0½	-1⅛	11.40
Quebec Hydro 11½ 92	100	96⅜	96⅞	–	–	12.13
Saskatchewan Pr 10¾ 90	125	95⅝	96⅛	-0½	-1⅝	11.67
Sears O/S Fin 11⅝ 93	150	97¾	98¼	-0⅛	-0¾	11.97
S.N.C.F. 11½ 93	100	98⅜	98⅞	-0⅜	-0⅞	12.09
Sth Cal Edison 10½ 90	75	95⅞	96⅜	-0⅞	-1⅛	11.34
Sumitomo Fin 10⅞ 90	100	93⅛	93⅝	-0⅜	-1⅜	12.37
Texaco Capital 9¾ 90	150	92	92½	-0⅜	-1	11.52
U.B.S. 10 88	100	98⅛	98⅝	+0⅛	-0⅛	10.40
World Bank 11¼ 88	100	98⅜	98⅞	-0¼	-1	11.61
World Bank 11⅛ 88	200	95¾	96¼	–	–	12.13
World Bank 11½ 90	150	97⅞	98⅜	-0⅛	-0⅞	11.89
World Bank 12 93	200	96¼	96¾	-0¾	-0⅞	12.87

Av. price changes: on day -⅜, on week -⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7⅞ 93	100	100½	101	+0⅛	-0⅛	7.25
A.N.A.S. 8⅛ 88	100	99½	100	0	0	8.30
Arab Banking Corp 8 88	100	96¾	97¼	-0⅛	-0½	8.77
Austria, Rep 7⅝ 89	100	100	100½	-0⅛	+0¾	7.55
Austria, Rep 8 93	100	100¾	101¼	-0¼	-0½	7.84
Avon Int Fin 7½ 93	100	100½	101	-0⅛	-0⅛	7.38
Beatrice Foods 7¾ 93	130	103⅝	104⅛	-0⅞	-0¼	7.19
B.F.C.E. 8¼ 90	150	101	101½	0	0	7.99
Dresdner Finance 4 90 WW	250	107½	108½	-0¾	-1	2.87
Dresdner Finance 4 90 XW	250	83⅞	84⅜	+0⅛	+0⅞	7.84
E.C.S.C. 8 90	160	100⅝	101⅛	-0⅛	-0½	7.82
E.E.C. 8¼ 93	250	101	101½	-0¼	-0½	8.05
E.I.B. 8 93	200	99½	100	+0⅛	-0⅛	8.03
Eurofima 7½ 90	100	101½	102	-0⅛	-0¾	7.15
Finland Rep 7½ 88	150	99⅝	100⅛	+0⅛	+0¾	7.52
Finland Rep 7½ 88	150	98¾	99¼	–	–	8.19
Int Standard Ele 7¾ 93	100	102⅞	103⅜	+0¼	+1	7.27
Ireland 8⅝ 91	150	100½	101	-0⅛	-0¼	8.48
Japan Dev Bank 7½ 90	100	101	101½	-0⅛	0	7.24
Kobe City 7 93	120	97¼	97¾	+0⅛	0	7.36
L.T.C.B. 8 90	100	102⅛	102⅝	0	-0⅛	7.53
Renault Acceptance 8 90	150	98⅛	98⅝	0	0	8.32
S.D.R. France 7⅞ 93	100	97¼	97¾	-0⅛	0	8.25
Sth African Tran 8¼ 90	100	99	99½	-0⅛	-0⅛	8.39
World Bank 7½ 90	250	97⅝	98⅛	-0¼	-0⅜	7.91
World Bank 7⅞ 89	300	100¼	100¾	-0⅜	0	7.76

Av. price changes: on day -⅛, on week -⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bank of Tokyo 6 91	100	102½	102¾	0	+0⅝	5.57
Bergen, City of 5¾ 95	40	99½	99¾	0	+0½	5.79
Denmark 6⅝ 91	100	101	101¼	-0½	-0⅝	6.18
E.D.C. 5⅜ 91	100	100¼	100½	+0¼	-0⅛	5.31
E.D.C. 6 93	100	101	101¼	0	+0¼	5.85
Europarat 6⅛ 93	100	98⅞	99⅛	+0⅛	+0⅜	6.33
Ex-Im Bk Japan 5⅝ 91	100	98¼	98½	-0¼	-1¼	5.89
Ind Fond Finland 6⅛ 91	40	101¾	102	0	+1¾	5.94
Int-Am Dev Bk 6 93	100	97¼	97½	+0⅛	+0¼	6.38
Japan Dev Bank 5⅞ 93	100	101⅜	101⅝	+0⅜	-0⅛	5.67
Kansai Ele Power 6 91	100	102	102¼	+1	+0½	5.64
Kawasaki Steel 6⅛ 91	100	100⅝	100⅞	+0⅛	+0⅛	5.99
Manitoba Prov 5½ 93	100	99⅞	100⅛	-0⅝	-0¼	5.50
Mont Blanc Tunl 6¾ 93	35	101	101¼	–	–	6.22
Montreal Urban 5⅝ 93	100	101⅛	101⅜	+0½	+0⅛	5.57
Mount Isa Finance 6 93	100	102⅝	102⅞	+0⅛	+1¼	5.62
NTG Bk Denmark 6⅛ 91	80	97½	97¾	+0⅞	+1½	6.64
New Brunswick 5¾ 93	100	101	101¼	-0¼	-0¼	5.60
Nisshin Steel 6¼ 91	100	99¾	100	0	0	6.26
Oster Draukraft 6 93	100	102½	102¾	-0¼	+0⅝	5.63
Oster Post 6⅛ 91	100	101½	101¾	-0½	-1⅛	5.85
Sumitomo Heavy Ind 6 91	100	100	100¼	+0¼	+0¼	5.98
Sumitomo Metal Ind 6 91	100	100	100¼	0	-0¼	5.97
Tokyo Elec Power 5⅞ 91	100	100⅞	101⅛	-0⅛	-0⅞	5.71
Trizec Corp 6⅛ 93	100	98½	99	+0⅜	+0¼	6.30
World Bank 6 95	100	99⅛	99⅜	–	–	6.15

Av. price changes: on day 0, on week +⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	105½	105⅞	+0⅛	0	7.77
E.I.B. 8¼ 92	15	102¾	103½	0	-0⅛	7.73
Japan Airlines 7⅞ 87	9†	101¾	102¼	+0¼	+0¼	7.87
New Zealand 7⅝ 89	15	102⅛	102⅝	-0⅛	0	7.11
World Bank 8⅝ 92	20	103¾	104½	0	0	7.68

Av. price changes: on day 0, on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Farm Credit 12¼ 90 C$	75†	99⅜	99⅞	0	-0⅛	12.32
Norcen 12¾ 93 C$	60†	96¾	97¼	0	+0⅛	13.29
TD MTG Corp 12½ 88 C$	40†	100⅜	100⅞	0	0	12.30
Quebec Hydro 12¾ 93 C$	50†	100½	101	-0⅛	+0¼	12.60
Royal Trstco 12⅝ 88 C$	50†	100¼	100¾	0	-0¼	12.48
World Bank 12¼ 90 C$	75†	100½	101	0	0	12.07
Xerox Canada 12 88 C$	40†	102⅛	102⅝	0	-0⅞	11.31
E.E.C. 11¼ 93 ECU	70†	100	101	+0⅛	0	11.15
Genfinance 11 90 ECU	60	98½	99½	+0¼	+0¼	11.20
Algemene Bank 8⅜ 88 Fl	150	100¼	100¾	+0¼	-0¼	8.57
Bank Mees & Hope 9 88 Fl	75	100⅝	101⅛	+0⅛	-0¼	8.76
Elect Sup Brd 8¾ 88 Fl	75	97⅛	97⅝	-0⅛	0	9.39
P.H.P. 8¾ 88 Fl	50	99¾	100¼	-0¼	-0⅝	8.77
Swed Exp Cred 7¾ 88 Fl	100	95¾	96¼	-0⅛	-0¼	8.86
World Bank 9 88 Fl	100	102	102½	0	-0¼	8.40
O.K.B. 14 86 FF	400	100¾	101¾	+0⅛	0	13.23
Solvay & Cie 14⅜ 86 FF	200	101⅜	102⅜	0	-0⅛	13.52
B.F.C.E. 11½ 88 £	50	99	99½	-0¼	+0⅛	11.60
British Oxyg 11¾ 91 £	50	100	100¾	-0⅛	-0⅛	11.64
CEPME 11¼ 95 £	35	99¼	100¼	0	+0¼	11.27
CIBA-Geigy Int 6¾ 93 £	25	98	98¾	0	+0½	6.98
E.E.C. 11⅞ 91 £	50	100⅝	101⅛	-0¼	-0¼	11.69
E.E.C. 11⅞ 93 £	50	100⅜	101	-0⅜	-0⅛	11.74
Fin For Ind 10½ 90 £	20	94½	95¼	0	-0¼	11.63
Finland Rep 11⅞ 88 £	50	99⅞	100⅝	0	+0⅛	11.78
Fin Mat Oranj 12⅝ 92 £	30	103⅞	104⅝	0	+0¾	11.81
Gen Elec Co 12½ 89 £	60	103½	104½	+0¼	+0¼	11.41
I.I.I. 10¾ 93 £	25	94⅝	94⅞	-0¼	-0⅛	11.69
Mort Bk Fin 11¾ 89 £	15	97¼	98	0	+0¼	12.33
Norsk Hydro 12 90 £	30	102⅜	102⅞	+0⅛	+0⅛	11.38
Sweden 11⅛ 93 £	50	97½	98¼	0	+0¼	11.68
Swed Exp Cred 11¼ 88 £	30	98	98¾	+0⅛	+0⅛	11.88
World Bank 11⅛ 88 £	100	98⅛	98⅞	-0⅜	-0⅞	11.52
Euratom 11 93 LuxFr	500	102½	103½	+0⅛	+0½	10.48
Europarat 10¾ 93 LuxFr	600	102¼	103¼	-0⅛	-0⅛	10.26

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
B.F.C.E. 5¼ 88	0¼	99½	99¾	28/1	10.18	10.21
Caisse Nat Tele 5¼ 90	0¼	99¾	99⅞	21/4	10	10.05
C.C.F. 5¼ 95	0¼	99⅝	99⅞	7/4	9.94	9.99
C.C.F. 5¼ 98	0¼	99⅞	100⅛	24/3	10.19	10.19
Cepme 5¼ 88 WW	0¼	99⅝	100⅛	3/12	10.56	10.57
Cepme 5⅛ 92	0¼	99¾	100	10/12	10½	10.51
Chemical NY 5¼ 94 ††	0¼	100⅝	100⅞	23/12	10	9.95
C.N.C.A. 5⅛ 95 XW	0¼	99⅝	99⅞	7/12	10	10.05
C.N.T. 5¼ 91	0¼	99½	99¾	24/3	10.31	10.35
Credit Foncier 5¼ 93	0¼	99⅝	99⅞	5/11	9¾	9.38
Credit Lyonnais 5¼ 94	0¼	99½	99¾	6/4	10	10.04
Credit Lyonnais 5¼ 97	0¼	99⅝	99⅞	5/1	10.31	10.35
Credit Nat 5¼ 94	0¼	99⅝	99⅞	1/4	10	10.05
Denmark Nat 5¼ 90	0¼	99⅝	99⅞	9/3	10⅝	10.78
Dresdner Fin 5¼ 93 WW	0⅛	99¼	99½	13/4	10	10.06
Dresdner Fin 5¼ 93 XW	0⅛	100⅛	100⅜	18/4	9.94	9.90
E.D.F. 5¼ 95 XW	0¼	99⅞	100⅛	10/2	11⅜	11.38
E.E.C. 5 90	0⅛	100	100¼	5/1	10.19	10.17
Hispano 5¼ 95	0¼	99⅝	99⅞	28/4	10	10.15
NZ Steel Dev 5¼ 92	0⅛	100	100¼	22/12	10¼	10.24
Nippon Credit 5¼ 90	0⅛	100¼	100½	18/2	11¼	11.21
Soc Generale 5¼ 90 XW	0⅛	99⅝	99⅞	9/11	9⅛	9.17
Société Générale 5¼ 95	0⅛	99¾	100	1/3	10.31	10.32
Sweden 5¼ 89	0⅛	99⅞	100⅛	29/2	10.19	10.19
Sweden 5¼ 93	0⅛	100¼	100½	3/2	11.19	11.15

Av. price changes: on day -⅛, on week -⅛

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 96	3/82	470	118⅝	119⅝	-4½	-2.82
Canon 7 97	7/82	748.2	214	216	-1	16.22
Daiwa Sec Co 5½ 98	10/83	508	95⅞	97⅛	-1½	3.59
Hitachi Cable 5¼ 98	2/82	515	106⅝	108⅛	-0⅝	8.61
Honda Motor 5¼ 98	6/83	804	115¾	116¾	-2¼	8.49
Honda Motor 5½ 97	3/83	769.5	134½	136	-1⅛	8.10
Konishiroku Photo 4 98	10/83	673	97⅜	98⅝	-0⅞	4.46
Kyowa Hakko 6¼ 97	2/83	702	108½	110	-1	9.88
Minebea Co Ltd. 5½ 98	5/83	607	112⅝	113⅝	-1⅞	4.09
Mitsubishi Electric 5¼ 98	8/83	396	109½	110½	-1⅛	3.57
Nippon Electric 5¼ 97	2/82	768.9	106⅞	108⅞	+0⅝	3.08
Nippon Oil Co 6½ 98	4/83	984	117¼	118¼	+0¼	3.82
Nissan Motor 5⅜ 98	4/83	770	100⅝	101⅝	-0⅝	10.54
Olympus Optical 6⅝ 97	12/82	1331	100½	102	-0⅝	24.67
Orient Finance 5¼ 97	3/82	927.2	97	98½	0	10.82
Orient Leasing 5⅛ 98	6/83	2600	93½	94½	-0¾	7.51
Secom 5 98	11/83	2928	122¾	124¾	-3¼	-3.09
Sumitomo Electric 5½ 97	3/82	577.3	117⅛	118⅝	-3⅛	1.46
Yamaichi Sec Co 5 98	8/83	472	90½	98	-0⅝	4.64
Yamanouchi Pharm'cal 4 90	10/83	1080	95¾	96¾	-0¼	8.63
NEC Corp 3½ 93 SF	6/83	978	142½	144½	+3	8.74
Satsu Paper 3⅝ 93 SF	9/83	716	101⅝	103⅝	0	10.31
Asics 5 92 DM	12/83	520	106¼	107¼	-0⅛	10.82
Konishiroku 6¼ 88 DM	6/82	816	118¾	119¾	-0⅝	8.64
Sun Realty 6⅛ 92 DM	2/83	385	122	123	-0⅝	-4.84

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cs. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INT. CAP. MARKETS

First Interstate taps strong demand for floating-rate notes

BY MARY ANN SIEGHART IN LONDON

FLOATING-RATE notes again stole the limelight in the Eurodollar bond market yesterday, with two new issues being launched by Credit Suisse First Boston.

First Interstate Bank became the first major U.S. name for more than a year to tap the FRN market when it launched a $150m, 12-year bond paying ⅛ point over the mean of the three-month London interbank bid and offered rates at a price of par. Compared with other recent new issues, the pricing was very tight, but the strength of market demand was such that it traded at a discount of only 0.35 per cent well within its 0.65 point selling concession.

As reported yesterday, Genossenschaftliche Zentralbank (GZB), came out with its 12½-year, $50m floater, paying ¼ point over six-month Libor. It, too, was well received, trading at a 30 basis point discount.

The third new issue of the day was a five-year, $100m straight deal for the U.S. retailer, Sears Roebuck. Led by Goldman Sachs and Dean Witter, it carries an 11½ per cent coupon at par and is non-callable. Though the pricing was thought to be reasonable, the timing was criticised. "Nobody cares about fixed-rate bonds now," one market participant said. "The tone of the market is terrible."

It traded *outside* its selling concession at a discount of about 1⅝ points.

The dollar secondary market was very pessimistic yesterday, with no retail interest. Prices fell by at least ½ point on the back of a downward trend in the New York credit market.

Barclays Bank of the UK has launched the first D-Mark Euro-bond issue for more than two weeks. The 15-year, DM 250m bond has an 8⅜ per cent coupon at a price of 99½ and is led by Dresdner Bank. Initial reaction was positive and the issue traded at a 1 point discount in the pre-market.

EHF Bank bond average		
Nov 4		Previous
98.574		98.692
High	1983	Low
102.017		97.698

In Switzerland, Nippon Telegraph and Telephone is raising SwFr 100m in a 10-year public issue led by Crédit Suisse. The indicated yield is 5⅜ per cent.

The World Bank will issue its fifth Euroyen bond today – a 10-year, Y20bn offering with an indicated coupon of 7⅜ per cent and price of 99⅝. Yamaichi Securities will finalise the terms next Tuesday.

Secondary market prices in Germany fell by ⅛ to ¼ point, while in Switzerland they closed unchanged. Turnover was low to moderate.

Japanese development bank fund raising

BY YOKO SHIBATA IN TOKYO

THE DEVELOPMENT Bank of Japan (JDB) is planning to issue Y30bn in guaranteed foreign bonds during the current fiscal year ending March 1984. The funds raised by the bonds will be used for supporting JDB's increased amount of loans.

"JDB wants to obtain Y30bn, if possible on the New York capital market, in the form of Nakasone bonds, to encourage an inflow of dollars to strengthen the yen's value," said JDB officials.

According to JDB, demand for its loans, which have interest rates much lower than long-term prime rate, remains strong. As a result, the bank has decided to lift its ceiling on total lending by Y30bn, to bring the total to Y1.164bn in the current year. The additional funds are to be fully covered by government-guaranteed foreign bond issues. The bank is considering carrying out part of its fund-raising on the European market.

The issuing of such bonds in the U.S., where interest rates are high by comparison with Japan, is one of various measures being taken to allow a more active capital market in the yen in view of the country's record trade surplus with the U.S.

There is growing criticism in the U.S. that Japan is promoting exports by keeping the yen deliberately low and that it is working for an economic recovery led by exports.

The move also comes shortly before President Reagan's visit to Tokyo, during which Treasury Department officials are thought likely to press their Japanese hosts for a commitment to trade and financial liberalisation measures.

FINANCIAL TIMES SURVEY

SWITZERLAND

BANKING, FINANCE AND INVESTMENT

Optimism in the financial sector over the outlook for the international economy is tinged with the customary Swiss caution. The domestic front, however, is dominated by the forthcoming referendum on the "Banking Motion", aimed at lifting the veil on traditional banking secrecy

Ready for the moment of truth

BY ADRIAN DICKS

ON THE FACE of it, the Swiss financial community ought to have little to worry about in the present international economic climate.

Recovery in other leading industrial countries, notably the U.S., leads Swiss forecasters to be confident that, allowing for the usual lag, 1984 will bring a modest recovery in gross domestic product of between 1.5 and 2 per cent—an appreciable improvement from the virtual stagnation expected this year, which in turn followed a fall of 1.5 per cent in 1982. Unemployment is negligible.

In a period when the debt problems of Third World sovereign borrowers have strained the balance sheets of some of the best-known names in international banking, the Swiss banks, with their highly conservative capital ratios, look rock solid.

Little wonder, then, that the Swiss franc's appeal to the rest of the world as a reliable store of value seems to remain undiminished, and that alone among major currencies, it has roughly kept pace with the dollar's strength over the past 12 months.

With bankers once more reporting heavy inflows of clients' funds in search of Swiss franc or dollar denominated investments, there can be little doubt that the sophisticated mechanisms of Switzerland's financial turntable, taking funds from abroad and on-lending them, for the most part abroad, are working as smoothly as ever.

Yet, as Swiss bankers and financial experts look ahead to 1984, they do not see an altogether unclouded horizon. They are, on balance, cautiously optimistic about the outlook for the international economy, though the caution stems from a clear-sighted view of the obstacles.

So far as the domestic picture is concerned, there is little doubt on the part of the financial community that Switzerland's traditional industrial structure is only at the beginning of a long period of change that may by its end leave a very different economic landscape.

Finally, the Swiss banking world faces the prospect of a moment of truth unparalleled in its recent history when, at a date still to be fixed next spring, the Socialist Party's long-debated "banking motion," which seeks among other objectives to curtail traditional banking secrecy, will be put to a referendum of the Swiss population at large.

Open economy

The Swiss view of the international economic picture is, inevitably for a relatively small and determinedly open economy, dominated by developments in the U.S. The Swiss see the size of the prospective U.S. federal budget deficits over the next few years as the factor most likely to prevent interest rates from dropping to levels that will permit a substantial easing of the burden of debt repayments for the developing countries.

There is also concern over the limited scope that the U.S. interest rate level leaves for further reductions in Swiss domestic rates, where the current real rate of interest of upwards of 3 per cent is seen as high by past standards.

Swiss bankers admit that, with relatively little outstanding in loans to hard-pressed foreign governments, they are somewhat on the side-lines of the large exercises in debt rescheduling and economic reconstruction that have dominated the world's financial community for the past two years. Yet they are far from being able to walk away from the problem; thanks to an international banking market that grows steadily more, rather than less, interdependent, their own business is inseparable from the general health of the system. Thus the visit of the "Brazilian circus" to Zurich in mid-October, to win the backing of the banks for the country's proposed U.S.$6.5bn international credit, gave the Swiss the opportunity to demonstrate that in practice, they have little choice but to join in.

Yet their scarcely concealed reluctance to do so has several causes. There is wide scepticism in Zurich about the practical and political ability of the Brazilians to fulfil what is seen as an ambitious and austere economic scheme.

There is considerable doubt in Switzerland whether any scheme so heavily geared to improvements in a country's export performance can succeed without far more liberal access for its export products to the developed countries'. market. And not least, the Swiss are deeply suspicious about the risk that the Brazilian rescue package, designed for a country that they consider relatively sound, could come to seem a set of minimum conditions for other, much less robust Latin American or Asian debtor countries.

Few bankers can ignore the fact that Swiss exporters have been among the casualties of the continued collapse of demand in the Third World for sophisticated capital goods. This, perhaps, has been the heaviest cost to Switzerland's traditional export industries, machinery and high value-added engineering products, of the recession from which the country is only just emerging.

Forecasters are divided over whether 1984 will actually see some recovery in Swiss exports as the main engine of the country's growth (a thesis put forward last month by the Swiss Technical University's economic forecasting department), or whether it will fall to the relatively modest forces of domestic demand to underpin recovery (as projected by the Basle Working Party for Economic Research).

Uncertainty about the prospects for traditional Swiss export industries has been heightened by the Swiss franc's strength on the foreign exchanges, which has forced the country to realise that much of the technical excellence on which it has always relied is rapidly being matched by competitors whose prices are lower. The phrase "shrinking technology gap" (referring to the failure to maintain what used to be a comfortable Swiss lead) is suddenly in vogue.

Unless the gap is re-opened, Switzerland faces painful readjustment in a number of basic industries. In the words of one senior official, "We can no longer aspire to be technically excellent in every area of technology. We need to specialise not in basic products but in their applications to an increasingly specialised range of situations."

Proud claims

It is one of the proud claims of the Swiss banking sector that, at a time when such traditional industries as watch-making, engineering and even chemicals are shedding jobs in the process of change, the financial sector is still creating them.

The claim is one that is often heard in the extensive debates that have been taking place over the Banking Motion. It is usually voiced in the same breath as the assertion that jobs would be endangered should the motion be carried next year, and that Switzerland's position as an international financial centre would then be irremediably damaged.

Bankers, with the support of recent public opinion polls, believe that the Banking Motion will be rejected by the electorate, though naturally they are careful to avoid complacency over the outcome. Broadly, the Motion stems from disquiet on the political left at two less acceptable faces of Swiss banking—the suspected flight of large amounts of money from several troubled Third World countries to Switzerland, and the lingering Chiasso affair of the late 1970s. The heart of the Motion is the provision that would substantially weaken the rights of Swiss banks to withhold information on the identity of a client.

Should the Swiss electorate indeed reject this attack on secrecy, it would be honouring a firm tradition that a client's relationship with his bank is as confidential as his relationship with his doctor or lawyer. This year has seen the Swiss Federal Government forced to defend that tradition against familiar yet unprecedentedly fierce assaults from the U.S. judicial authorities, most notably aimed at March Rich, the Swiss-based international commodity group.

While the U.S. side hardly helped its case by the manner of its approach and its disregard of well-established dispute procedures, many Swiss instinctively would defend the right of a company (or a private individual) to keep its financial affairs to itself. That much said, the Swiss authorities have moved some distance in recent years to limit the scope of protection.

Partly as a result of the prodding brought about by the motion, the more substantive work of drafting amendments to the banking statutes has been getting under way, with the strong likelihood that the supervisory powers of the Banking Commission will be strengthened, and that statutory powers for the commission and the National Bank will replace self-regulation. The argument is being heard increasingly that it will simply no longer do for Switzerland to resist all change in financial matters.

In a speech to the Foreign Bankers Association last spring Dr Markus Lusser, a member of the executive board of the Swiss National Bank, argued strongly that improved supervision could only enhance Switzerland's image as an international financial centre and distinguish it still more clearly from the off-shore centres where effective oversight is lacking.

Dr Lusser also urged Swiss financial institutions to look urgently to their own abilities to compete in a world-wide, increasingly complex business. Privately, some top bankers query whether the recruiting policies of Swiss institutions, coupled with the tight restrictions on immigration, are providing the talent needed to match the strongest foreign banks and investment groups.

Yet there is strong reluctance to disturb something that works so well. As a general manager of one big bank puts it, "We could be more innovative, it is true, and we could hire more whizz-kids from abroad. But what we must never forget is that there is also a heavy premium on appearing conservative, and in the end that is what clients come to Switzerland for."

SWISS BANKS AND FINANCE COMPANIES 1978/82

	1978	1979	1980	1981	1982
	Number of banks or finance companies (total number of branches in brackets)*				
Cantonal banks	28 (1,272)	29 (1,275)	29 (1,274)	29 (1,294)	29 (1,308)
Big banks	5 (752)	5 (777)	5 (799)	5 (873)	5 (903)
Regional and savings banks	223 (1,119)	220 (1,102)	220 (1,097)	219 (1,097)	218 (1,096)
Loan and Raiffeisen Bank Associations**	2 (1,220)	2 (1,225)	2 (1,231)	2 (1,238)	2 (1,234)
Private banks	25 (27)	25 (26)	25 (26)	25 (26)	25 (27)
Branches of foreign banks	14 (25)	15 (27)	16 (27)	16 (26)	17 (30)
Other banks	181 (405)	178 (409)	176 (416)	178 (420)	181 (435)
Finance companies	73 (76)	80 (84)	84 (88)	90 (95)	95 (98)

*Including headquarters operations and foreign branches of Swiss banks.

**Two associations with total of 1,226 member banks at end of 1982.

Source: Swiss National Bank

CONTENTS

BANKING

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Pace for new business slows

Foreign borrowings

ADRIAN DICKS

AFTER SETTING a roaring pace for new business during the first half of this year, the Swiss capital market has slowed down markedly since the late summer as a provider of funds to foreign borrowers. The National Bank's figures up to the end of August showed new public bond issues for foreign borrowers of SwFr 6.1bn compared to SwFr 9.97bn for the whole of 1982, while the volume of funds raised through private note placements stood at SwFr 13.3bn against SwFr 18.2bn for the whole of last year.

A further SwFr 4.6bn was exported in the form of financial credits, plus SwFr 895m in the export credits, during the first eight months of 1983, compared to a total of just under SwFr 10bn for both categories for the whole of last year.

Signs of a pick-up emerged in September but it is too early to say if this represents a new trend.

Uncertainty over the future course of interest rates has hung over the Swiss market in recent months. Swiss rates, thanks to a steady and effective monetary policy on the part of the National Bank, have been under no great internal pressure, while the inflation rate has dropped slightly faster than had been expected six months ago, and is now likely to be well under 2 per cent by early next year.

By Swiss standards, the borrowing needs of the Confederation, the cantons, municipalities and other parts of the public sector still give cause for concern. Yet net borrowing by the three levels of government this year is not expected to exceed SwFr 500m — a tiny sum by comparison with the needs of every other member-government of the Organisation for Economic Co-operation and Development.

Financial developments in the U.S., however, weigh heavily on the Swiss fixed interest markets. The staggering size of prospective U.S. federal budget deficits, the uncertain strength of the American economic recovery and the consequences of these two factors for interest rates appear to have persuaded many borrowers and investors to stay on the sidelines.

Investors, perhaps, have the more immediate reasons to turn their attention to the Swiss market. According to senior executives of the major Swiss banks, funds have begun in the past three or four weeks to flow heavily back into Switzerland—a judgment on the part of clients that may reflect in part the conviction of Swiss bankers themselves that the dollar is overvalued and that the Swiss franc, the only currency to have appreciated roughly in line with it over the past year, represents the best available alternative.

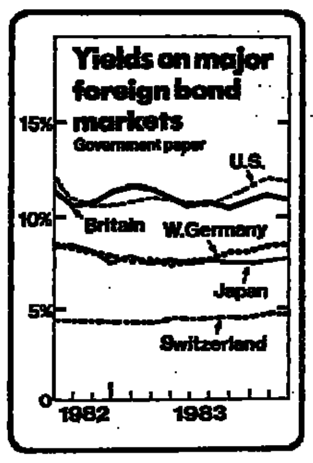
Swiss withholding taxes of 35 per cent apply both to interest on domestic Swiss franc bonds and to dividends paid on Swiss shares; thus the most attractive investment instruments for investors wishing to purchase Swiss franc securities remain the bonds and notes issued on behalf of non-Swiss borrowers. With inflation at 2 per cent, these markets look unusually profitable, at present.

Coupons range from the benchmark 4¾ per cent paid by the Swiss Confederation on its most recent issue up to 5½-5¾ per cent on straight issues for first class North American corporate names and 5¾-6 per cent for comparable paper sold on behalf of the best-known of the Japanese companies.

The Swiss market has also had a novelty to offer in the past few months, in the form of dual currency bonds. These issues, so far all on behalf of U.S. corporations, entail coupon payments in Swiss francs, but eventual redemption in U.S. dollars. There is still a lively debate going on in the Zurich banking community about whether this instrument, pioneered by Soditic, the Geneva-based bond issuing house, has more to offer the investor or the borrower. There is also some lingering apprehension that aggressive pricing on one issue for General Motors Acceptance Corporation may have damaged a still budding market.

However, the dual currency feature does seem to have tempted back into the Swiss market treasurers of major American companies of the quality that investors like, after a period of years when currency volatility put many of them off.

According to bond dealers, Swiss investors are, moreover, ready to turn with something approaching relief to non-Japanese paper. Not that the market has had much to complain of; it has been prepared to absorb a huge volume of such paper, amounting in the private notes sector to as much as 70 per cent of all issues this year.



Much of this has been in the form of convertible issues carrying coupons of around 3 per cent currently for top names and 3¼-3½ per cent for smaller companies. With conversion premiums generally at the 5 per cent guidelines laid down by the Japanese Ministry of Finance, these issues have sold well against the background of a strong Tokyo equities market.

Thus far there have been no losers; the evidence is that investors have been exercising their conversion options early and reinvesting the proceeds in fresh issues. For the Japanese borrowers, Swiss issues represent cheap and ready funds when seen as debt, while conversion into shares by investors brings them fresh equity more quickly and cheaply than the alternative of a public share issue on the Japanese market.

Yet, it is hard to resist the impression that the Swiss are growing a little uneasy at the relationship. Some bankers say there is now a certain reluctance among the more sophisticated investors to buy any more Japanese bonds or notes, while others say the market is "at the limits of what it can digest." Members of the major bond underwriting syndicate, which includes all the biggest banks, recently decided to allow Japanese banks and securities houses a larger share in underwriting Japanese issues.

The gesture was described as a way for the Swiss banking community to show its gratitude for the huge volume of Japanese business it has been enjoying. Privately, however, some bankers complain that the Japanese lack placing power and that the Swiss members of issuing syndicates are sometimes finding themselves stuck with more than they want on their own books.

Meanwhile, the National Bank's efforts to persuade the big syndicate to loosen its grip on the market appear to have borne fruit. Issue managers within the big syndicate's member banks say they have not lost market share but that they are under greater pressure to time new public bond issues right in view of the limited number of places in the new issues queue. Smaller banks which have never joined the big syndicate appear for the most part satisfied that the queueing system is now working more fairly. As one banker said, "We can all bring issues now, practically as and when we like."

Public bond issues remain subject to the National Bank's approval, and it maintains a ceiling of SwFr 100m on issues, with some exceptions allowed for the dual currency issues. There is also a limit of one new issue a day, whether foreign or domestic.

Political pressure

A rare exception to the National Bank's policy of leaving the bond market so far as possible to itself came in mid-September, when it announced that it would not approve further public issues on behalf of foreign governments' export credit guarantee institutions. It appears to have been subjected to considerable political pressure from Swiss export industries, some of which took the view that the Swiss capital market ought not to be used to help subsidise their competitors.

Initial grumbling by some bankers that the National Bank had taken to meddling in the market seems greatly exaggerated; the foreign export credit agencies still have unlimited access to the private placement market provided that they undertake to comply with the OECD's guidelines on minimum interest rates on their credits to exporters.

Meanwhile, Swiss banks are discreetly lobbying for the National Bank's support in a long-standing aim of getting the Berne government to remove the stamp duties charged on securities transactions. The duty, set at 0.15 per cent on both sale and purchase, is alleged to weigh significantly on bond yields, in particular. Some Zurich bankers argue that this could help drive secondary trading of Swiss franc bonds out of Switzerland, thus weakening the National Bank's relatively successful attempts over the years to discourage holdings of Swiss francs outside the country in order to keep a grip on monetary policy. The National Bank seems so far—at least outwardly—unimpressed by this argument.

Difficult and disappointing year for trading

Gold

ANTHONY McDERMOTT

IT IS generally acknowledged by the three main banks involved with the gold trade in Zurich—namely the Union Bank of Switzerland (UBS), the country's largest bank, the Swiss Bank Corporation (SBC), and Crédit Suisse—that 1983 is proving to be a difficult and disappointing year.

There is a traditional reluctance to discuss figures connected with gold (as with other items), but of these three only SBC sees this year, in terms of profits made from gold trading, as likely to be better than 1982.

Some of the reasons are not hard to find. This year alone on the Zurich market the price of gold per ounce has fallen from US$496 in January to US$386 at the end of October.

Purchases have not been helped by the high exchange rate of the dollar, and a worldwide decline in the rate of inflation. Demand has fallen off from Saudi Arabia and countries of the Gulf because of the need to help finance Iraq in its war with Iran. Furthermore, indebted nations such as Brazil, are said to have been selling extensively on the Zurich market.

One problem in assessing Zurich's importance, is that unlike many other commodity markets, there is no easy accessibility to figures. Thus whether the so-called "hard times" are hard is difficult to quantify, and whether things get better depends less on the undoubted skills of Zurich gold brokers and more on the performance of U.S. interest rates and whether there will be a worldwide pullback from global recession.

Withdrawal

For a start, the individual, rather than the professional gold purchaser has, to some extent, withdrawn from the market. Measured against inflation and allowing for the emotional value of gold as a fallback, the individual, given lower inflation, no longer apparently sees it as the refuge it once was.

For the brokers there has been the somewhat dispiriting fact that, although the price has slipped over the year, the volatility in reaction to world events (which brings with it the promise of profits) is not there. For example, when over 240 U.S. marines were killed in Beirut at the end of last month, the movement was only about U.S.$5. Anything between U.S.$20 to U.S.$40 would have been normal in the past two years or so.

As the SBC relates, Zurich, like London, is primarily a "physical" market. In other words, the gold contracts are written for actual delivery. The introduction at the beginning of 1980 of a 5.6 per cent sales tax on physical gold sales has modified this to some extent, not least because Zurich lost business to foreign branches of Swiss banks or to foreign banks as a whole, notably in London and New York.

To get around this, the move has been towards not obtaining gold physically but rather establishing a metal account in a bank, thereby avoiding the physical movement of gold in and out of the country.

The gain to the Swiss Government is questionable. According to Mr Paul Zubler, senior vice-president of UBS in an address to the Financial Times World Gold Conference in Lugano last June: "The reported physical precious metal holdings of banks and finance companies domiciled in Switzerland . . . totalled over SwFr 23bn at the end of 1981."

Little change

Gold is estimated to account for roughly 80-85 per cent in nominal terms. This equals approximately 800-850 tons of gold in 1982. These figures are unlikely to have changed very much.

The Federal Tax Authorities collected SwFr 65m in each of the years 1980 and 1981, and in 1982 SwFr 60m on precious metal sales.

These statistics suggest that, despite the introduction of the sales tax, physical precious metals sales subject to the tax have almost aggregated SwFr 1bn.

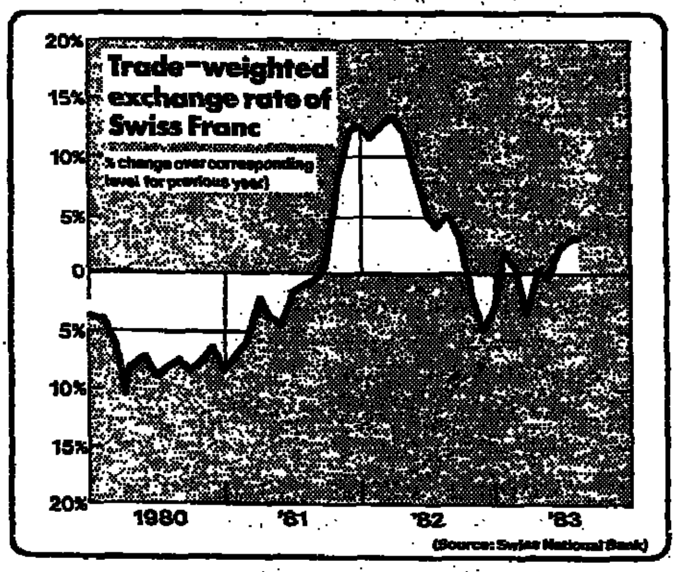
Some of the stability of the Zurich market must come from the policies of the main suppliers. Since the beginning of the 1970s South Africa, whose estimated expected production for 1983 according to Consolidated Gold Fields is 665 tonnes, has been sending something like 80 per cent of its supplies through Zurich.

It has been selling almost all its newly-mined gold and, once allowances have been made for Krugerrands, last year about 280 tonnes of South African gold passed through the Zurich market. It was estimated that the Soviet Union, which has withdrawn because of the fall in price, sent something like 75 tonnes.

To get round the problem of the sales tax, and to counter the arrival two years ago of Mocatta, a member of the London gold-fixing pool, the three main banks set up Premex in October last year as a gold-broking company. By all accounts this has been performing above expectations—though bankers are reluctant to give details.

Operations are not for the moment what they were. "In the 1960s and 1970s," one banker put it, "I would have been a fool not to have made a profit. Today I regard myself as a hero if I do."

There is more competition. There are now 50 more brokers operating since the beginning of the year in Zurich and caution is the main message. It would need, they claim, only one purchase of some 20 tonnes under present market conditions to signal to other investors to reinvest. It does mean, of course, that Zurich will remain busy.



Exchange rate likely to stay strong

Swiss Franc

JOHN WICKS

THE SWISS franc remains one of the world's most sought-after currencies. Although international recession has led to a decline in the national economy, the trade-weighted revaluation of the Swiss franc reached an all-time record in early October. In the long term, the exchange rate seems likely to stay very strong, not least against the dollar.

Until the Bretton Woods system collapsed in the early 1970s, the currency had been considerably undervalued. Before the foreign exchange market took off in 1971, it was running — as it had been for 35 years — at around 4.30 to the dollar, with some SwFr 1.19 equal to one D-mark. It then began an upward journey which took it to 1.45 per dollar and 0.75 per mark at the height of the 1978 currency crisis. Decisive measures by the Swiss National Bank soon brought more realistic rates in terms of major currencies. On October 31 the dollar was being traded at some SwFr 2.13 and the D-mark at more than 81 centimes. At the same time, though, the Swiss franc has continued to strengthen against many other currencies of important trading partners, among them the French franc and the lira. Without any real notice being taken of the fact, the trade-weighted revaluation index compiled by Swiss Bank Corporation showed a new high on October 5 of 150.69 per cent above the corresponding value at the time of the Smithsonian Agreement in December 1971.

There has been no call for the same concern and the same policies as greeted the 1978 peak. The Swiss franc has been subject to a much less rapid upswing, and the dollar and mark as key currencies are still considerably stronger than then. While Switzerland has grown rather fatalistic about the vagaries of the dollar, however, it is anything but indifferent to the weakening of the DM — the currency of its biggest single export market and competitor in the world at large. From over 85 centimes in spring, this gradually dropped to barely 80 centimes by mid-August. Though the National Bank claims its former aim of keeping the DM parity "substantially over 80" is not necessarily an eternal guideline, it reacted rapidly with a short burst of interventions, buying marks against both dollars and Swiss francs.

Upward trend

It now seems probable that the DM will show a slight upward trend in the medium term, at least to go by comparisons of Swiss and German consumer wholesale prices and respective interest levels (also a calculation by the SBC). Most observers, on the other hand, expect a further gradual fall in the dollar. In all, the Swiss franc should retain or perhaps even improve its high overall level against the field.

The solidity of the national currency has naturally made itself felt in the Swiss economy. Manufacturers and such service industries as the hotel business are finding it hard to keep both markets and margins—though they are considerably helped by an inflation rate of only 1.4 per cent per year and the fact that Swiss goods and services tend to cater for the carriage trade. On the other hand, imported goods are showing only a minimal rise in prices with a corresponding improvement in Switzerland's terms of trade. The low inflation rate is, of course, itself due not least to the high Swiss franc.

For foreign investors, Switzerland remains a great attraction. Apart from the economic stability of the country, which despite a drop in real GNP should again show a surplus on current account of several billion Swiss francs, the outside world is well aware of how hard the currency is. The likelihood of a foreign-exchange gain in many cases outweighs the modest yield of a typical Swiss-franc investment.

The massive influx into the currency is not having the same kind of undesirable economic effects experienced during the 1970s. Nor is it leading to an untenable internationalisation of the Swiss franc. This is the result particularly of the continued growth of foreign borrowings, now subject to almost no restrictions. In the first eight months of 1983 alone, capital exports subject to National Bank approval amounted to SwFr 24.95bn, of which SwFr 13.37bn were in the form of medium-term notes, nearly SwFr 6.1bn public bond issue and the remainder bank loans.

Cheap coupons

Borrowers are for their part attracted by the cheap Swiss franc coupons and the almost invariable success of subscriptions. Although some foreigners obviously suffered in the past decade from the jump in the exchange rate, the interest differentials are such that the Swiss franc would have to carry out a new leap to rule out the corresponding advantage.

The Swiss policy-makers remain very much alive to the danger of large-scale external use of the currency. With only 6.4m inhabitants, they say, the country simply has not the economic base to support a reserve medium - and could receive serious shocks from massive Swiss-franc movements unconnected with the economy. It is realised, though, that the world at large is keen to divest its monetary holdings and particularly keen to build up its positions in Swiss francs. This is why in recent years specific "international" transactions involving the currency have been approved for bodies with what the National Bank felt to have a legitimate need, such as monetary authorities of Opec countries or the World Bank.

Liberal policy

It is also realised that not much could really be done if it came to the pinch. This June, the National Bank said frankly that the gradual removal of restrictions on foreign borrowing had been aimed primarily at obviating an expatriation of Swiss-franc business. "This liberal policy was chosen," the Bank said, "because it had become increasingly clear that the international use of the Swiss franc cannot be hindered by administrative directives. What is forbidden in Switzerland can be carried out abroad without any obstacles." This straightforward statement had been considered necessary in the light of calls for a brake on capital exports—especially on the rush of private placements and public loans on behalf of Japanese interests.

Whatever the case, the Swiss remain convinced that monetary policy cannot be decided in a vacuum. Dr Fritz Leutwiler — National Bank President and President of the Bank for International Settlements—has always pleaded for a maximum of international co-operation in the currency sector. The Bank's own go-it-alone attempts, with interventions of SwFr 22.5bn in crisis year 1978 alone after SwFr 45.5bn in the three previous years, were of uncertain value. Nevertheless, there is still no hurry to join the International Monetary Fund, particularly with the question of UNO membership still in the air; the Swiss feel they already have an excellent working relationship with the Fund and World Bank and this April became full members of the General Agreement to Borrow.

The Swiss readiness to cooperate with the rest of the world does not mean any future explosion of the exchange rate would be allowed to happen. As reluctant as Switzerland may be to re-introduce controls on foreign Swiss-franc holdings or undertake major forex-market interventions, the considerable powers of the National Bank would doubtless again be used in time of need.

Income rises sharply

Unit Trusts

JOHN WICKS

SWISS INVESTMENT funds have benefited considerably from improved markets in recent months. By mid-year, total assets of the 121 funds had reached a record level of SwFr 17bn, as compared with less than SWFr 15.7bn at the end of 1982. The more attractive investment environment has led to a sharp rise in income and a marked drop in withdrawals this year so far, with the result that the number of certificates in circulation has returned to the mid-1981 level of over 140,000.

In per-capita terms, Switzerland has the highest unit-trust holdings in the world. Its investment funds are in effect part of the banking system, the custodian banks working with affiliated fund-management companies. Over three-quarters of all assets are managed by subsidiaries of the Big Five, though the cantonal, private, foreign - controlled and other banks are also well represented. Swiss banks likewise act as representatives for the 42 foreign funds permitted by the Federal Banking Commission to advertise in the country.

The first Swiss investment fund was launched about half-a-century ago, but the business really got off the ground in the late 1960s and early 1970s. Unit trusts have not really lived up to their initial promise, however. Private clients in particular were disappointed when the boom came to an end, in the mid-1970s, quite apart from the bad public-relations effect of the Investors Overseas Services saga just over the frontier from Geneva. Initial hopes that a substantial activity in fund-linked insurance policies might develop came to naught. Today, fewer certificates are in circulation than in 1973 and assets are only slightly higher.

Investment funds have definitely become an integral part of the Swiss capital market, however, not least on the part of institutional clients with a view to saving on costs. They also enjoy a considerable popularity with foreign investors. These are attracted especially by the various Swiss funds with securities consisting mainly or wholly of foreign securities, in that the dividends of funds with at least 80 per cent income from non-Swiss sources are not subject to 35 per cent withholding tax.

The internationally-orientated trusts, as well as offering investors the chance to benefit from Swiss financial expertise and obtain yields well above that of Swiss interest rates, have done well in the past few years and grown to some of the biggest of their kind in the world. At present, 24 Swiss funds invest solely in foreign securities and 50 in both Swiss and foreign securities — as against only seven with a wholly domestic portfolio. As of June 30, assets included SwFr 4.8bn in foreign bonds and SwFr 2.6bn-plus in foreign shares, as compared with combined Swiss securities holdings worth less than SwFr 1.7bn.

Some 40 funds are engaged in real estate investments, most of whose SwFr 7.2bn holdings are in Switzerland itself. Rising property values have led to a not inconsiderable increase in assets in recent years. Foreign interest in these trusts might well grow in the long term as the Berne Government makes it increasingly difficult for non-resident aliens to buy property in Switzerland. In fact, however, large numbers of foreign investors appear to have got out of this sector when the withholding tax was raised from 30 to 35 per cent.

Actual performance is not the most important aspect of Swiss investment funds, whose aim seems to be to hit the market average or slightly above this. The funds are seen rather as instruments of investment policy by the supporting banks, providing the investing public with a professional portfolio-management service. The showing of the funds therefore adheres very closely to that of the markets.

Swiss bond share and note issues, 1979/83

	1979	1980	1981	1982	Jan.-Aug 1982	Jan.-Aug. 1983
			In SwFr million			
Domestic public bond issues:						
Issue value	9,694.4	9,428.4	7,804.1	9,810.4	5,282.9	9,998.8
(of which new money)*	4,632.2	7,827.9	6,987.1	9,009.4	4,964.9	6,137.9
Foreign public bond issues (new money):	4,767.6	5,425.6	7,515.0	9,974.5	6,483.0	6,167.7
Swiss share issues:	1,349.2	2,267.0	2,041.3	559.7	423.2	916.8
Foreign borrowers' medium-term notes (private placements) new money:*	8,679.0	7,463.0	11,183.0	15,642.2	10,252.2	12,889.0

* "New money" is equal to issue value minus re-financing transactions)

Source: Swiss National Bank

Nevertheless, Swiss bankers feel there is scope to expand after a long period of near-stagnation, now that the general public is losing its mistrust for the services of Switzerland's open-end funds. The stringent regulations of the Banking Commission certainly seem to have thinned out any trusts which might have been marginally less serious-minded than the national norm.

At the same time, the trust managers think it would do no harm if the power that be eased up on some of the less necessary restrictions. Times have changed, they say, since the Federal Investment Fund Law was passed in 1966.

The Investment Fund Commission of the Swiss Bankers' Association recently spelt out some of the reforms it would like to see enacted. One of these is that the Banking Commission should not insist that the securities funds invest only in "securities" in the strict sense of the law. What this means is that the funds would like to be able to invest in debt-register claims with no actual security deed such as the German "Globalurkunde."

These "untitled" claims may well become more general in future, having already shown themselves to work well as an official borrowing medium in the Federal Republic. Denmark is said to be planning an overall removal of the classical securities title. In Switzerland itself, debt-register claims are used solely for the money-market paper issued with one to six-month maturity by the Confederation. There is now some talk, however, of converting the very important "Kassenobligationen" (the banks' own over-the-counter, medium-term bonds) to a similar status.

The authorities do not seem wholly opposed to easing up a little on the investment funds, though without lowering standards. The Banking Commission, for example, announced in its 1983 report that it had ruled in favour of zero-bond holdings by funds licensed to invest in bonds; at the same time it disclosed rules for the hitherto vexed question of how to attach a current value to zero issues. The Government is also continuing to work on the fiscal difficulties arising in the case of domestic real-estate funds, though it remains to be seen how these can be finally resolved as part of the pending tax-harmonisation programme.

Whatever the case, there could soon be growth rates above those of the stock and property market. As the Banker's Association points out, the less than SwFr 10bn worth of securities represent only a tiny share of the hundreds of billions in Swiss banks' total portfolios, while the property assets are less than 1 per cent of all Swiss real-estate values. "Even a doubling of the current fund assets would be both economically acceptable and, given the international risk situation, in the interest of the individual client," it was stated at a Berne meeting in September.

Changes on the domestic front are inevitable

The Big Five

ANTHONY McDERMOTT

THE BALANCE sheets and earnings of the five main Swiss banks show that they are heading for a record year this year, but in the banking sector as a whole issues such as Switzerland's famed bank secrecy, moves to adapt it, insider trading, and spectacular domestically-financed rescue operations for industry are causing considerable debate. And, to some extent, concern.

First half results from the Union Bank of Switzerland, the Swiss Bank Corporation, Crédit Suisse, Suisse Volksbank and Bank Leu — the Big Five — indicated higher earnings from almost all operations and it is expected that this would continue for the rest of the year.

In 1982, the top five recorded a rise in combined net profits of 14.3 per cent to a record SwFr 1.2bn. This rate of growth was faster than the 8.3 per cent rise recorded in the balance sheet total.

The banks benefited from particularly strong activity in the securities markets.

A year of steady gains on Swiss stock exchanges, coupled with a high volume of underwriting business in public bond markets and in the sale of privately placed notes, has ensured for most of the industry a high level of earnings from brokerage and commission. International credit business, though it appears to have become a good deal more selective, is also said by senior bankers to have remained profitable.

The Swiss interest rate pattern, seriously disturbed in 1981, has long since returned to a normal yield curve. Although banks remain concerned at a level of U.S. rates which they believe will remain high for the foreseeable future, there seems little to complain of in the recent pattern of Swiss interest rate spreads. Interest income, after apparently rising steadily for the past 12 months or so, has now flattened out at a comfortable level.

In two other areas of business, foreign exchange and precious metals trading, profitability appears to have improved after a relatively weak start of the year, despite the calmer tone of markets this year and the steady erosion of gold prices.

Overall, the Swiss banks can congratulate themselves, by comparison with their competitors in, say, the U.S. or West Germany, on the quality of their assets. Yet the picture is not entirely unclouded. The Federal Banking Commission, which is responsible for prudential supervision, while the National Bank enforces monetary policies, last spring pronounced itself generally satisfied that the Swiss banks' exposure to dubious sovereign borrowers gave no cause for concern. Over 80 per cent of the banks' foreign assets of SwFr 227bn were invested in industrial countries or Caribbean offshore centres. But the Commission also gave a warning that Switzerland could not consider itself "immune" from the wider problem.

More recently, the Commission has stepped in to warn a number of banks, several of them Swiss affiliates or subsidiaries of large U.S. institutions, that it considered their provisions against sovereign risks to be inadequate. In the past it has been left to individual institutions to evaluate their own sovereign risk exposure, and it appears that the Commission is still willing to allow considerable flexibility in how the shortcomings to which it has drawn attention are made good.

None the less, the Commission's action caused some consternation among banks especially (although the Commission strongly denies the charge) because it was widely believed that a list had been drawn up of "problem countries," including several with which major deals were pending.

Bigger Swiss banks, which are not thought to have been the object of the Commission's warning, expect once again to set aside substantial provisions. Yet, these reflect not only the banks' exposure to problems abroad, but also their involvement in a small number of industrial rescues at home. Unlike almost every other industrialised country, Switzerland lacks a central government with the machinery, the funds and the inclination to help lame ducks.

The task has therefore fallen to the banks, partly as a consequence of a deeply ingrained tradition of seeing industrial customers through bad times, and partly out of a desire to demonstrate their sense of public responsibility at a time when they fear increasing official interference.

Indeed it is domestic risks—notably the eight-bank consortium, led by Swiss Bank Corporation, announced in May to promote a merger between the two largest watch-making companies, Societé Suisse pour l'Industrie Horlogere (SSIH) and Allegmeine Schweizerische Uhrenindustrie (ASUAG) which could cost as much as SwFr 1bn over the next three years — which cause more concern.

Compared to other countries, Swiss bankers concede that the National Bank and Banking Commission exercise a very light supervision over them. Yet they are troubled by what they see as a trend towards greater official interference, and fear that this could be enshrined in the revisions to the banking statutes now under discussion.

This change of fundamental principle in the relationship of Swiss banks to the authorities—if such it really is—is more troubling to bankers than the more highly publicised political attack on the secrecy regulations.

The issue of banking secrecy has had mixed fortunes. On the one hand, the Social Democrats' initiative against the "misuse by banks of their own power and the Swiss bank secrecy laws," is still due to be put to public referendum next year.

The comparatively poor showing of the Socialists in the general elections at the end of last month has given bankers heart that it is not an issue which will go very far.

The Association of Swiss Bankers (ASB) acknowledges that modifications must come but does not accept that the holders of bank accounts above a certain value should have their names made known to the authorities.

Tighter system

The extent of Swiss bank secrecy for the so-called numbered bank accounts has been exaggerated and stimulated by international political scandals and accusations of the involvement of the Mafia and tax evaders. Switzerland is one of the few countries in which the breach of banking secrecy is a criminal offence.

Austria, indeed, probably has a tighter system. The essence of the Swiss system—and clients are being more closely vetted than before—is that the names and account numbers are held separately. This means that a portfolio manager might be able to put some of the two elements together but not comprehensively.

Meanwhile bankers have been infuriated by the evidence of a systematic scheme by the French tax authorities to obtain the names of French clients of UBS by buying stolen computer codes. The Swiss authorities have pressed charges against two former UBS employees, one of whom has fled the country, and the incident has not done anything to repair a whole series of irritants to Franco-Swiss relations. French state borrowers are reported to have been politely advised that their paper would be unlikely to interest Swiss investors for the time being.

THE "BIG FIVE" BANKS

First half figures

	Union Bank of Switzerland		Swiss Bank Corporation		Credit Suisse		Swiss Volksbank		Bank Leu	
	Mid-1983	End '82	Mid-1983	End '82	Mid-1983	End '82	Mid-1983	End '82	Mid-1983	End '82
	Figures in SwFr(m)									
Balance-sheet total	112,966	106,353	106,681	96,816	75,961	73,497	19,982	19,737	10,051	9,345
Advances to clients	47,450	47,042	41,650	39,561	[illegible]	36,171	14,498	14,826	3,276	[illegible]
Clients' deposits	70,593	67,392	70,738	65,294	49,342	47,311	16,356	16,159	5,181	4,745
Capital resources*	5,701	5,474	5,046	5,046	4,815	4,813	1,141	1,141	640	[illegible]

* Published capital plus reserves after annual dividend

Confidence remains despite setbacks

Banking in Ticino

ANTHONY McDERMOTT

FOR THE BANKERS in Ticino, the Italian-speaking canton of Switzerland, whether they represent local or foreign organisations, the boom of the 1950s and 60s largely based on money coming in from Italy, is past. It is remembered with pleasure, but it is accepted as being over and what is called "a normal growth rate" in balance sheets and profits is taken as the foreseeable norm.

In 1976, the Italian Government made the export of capital a criminal offence. In spite of this and in spite of the problems caused by Italy's recurrent economic crises funds continued to flow in. But as a result of hounding by the Italian customs and financial authorities, it is on a lesser and more secretive scale. Bankers in Lugano comment evasively: "We don't create a need, it already exists from the other side."

The flow of funds has also been hindered by the bad publicity of the Credit Suisse Chiasso scandal of 1977 and the impact of the Ambrosiano shock 1982 on Banca del Gottardo. Clients, particularly Italians, are more circumspect about banks, and the latter are far more careful about whom they take on.

43 banks

The indications are that the 43 banks in Ticino have taken sober stock of the situation and intend to remain. Physical signs of confidence are also there which go beyond changes of administrative convenience. Several major banks — for example Banco del Gottardo, the Swiss Bank Corporation, the Overland Trust Bank, the Union Bank of Switzerland, Banco della Svizzera Italiana are in the process of starting, or moving into, new buildings costing a minimum of SwFr 20m each.

Employment by the banks remain strong, according to figures issued by the Canton of Ticino. Out of a workforce of 120,000 (including those who crossed the frontier daily from Italy) those in the banking sector have risen from 6,438 in 1980 to 6,922 last year. Almost half of these are employed by the big five Swiss national banks, but banks over the last decade such as Banca Unione di Credito owned by First Overland Trust, and BSI have more than doubled their staffs.

The latter was in 1982 the largest employer outside the big five with more than 900 employees.

Record profits

The chief banking towns in the region have all shared in this growth. Thus, in Lugano, it has almost doubled to 4,350, in Chiasso it is up by a third to 845, in Bellinzona to 599 and in Locarno 420. As a whole, the Ticino employs 7.7 per cent of all bank employees in Switzerland.

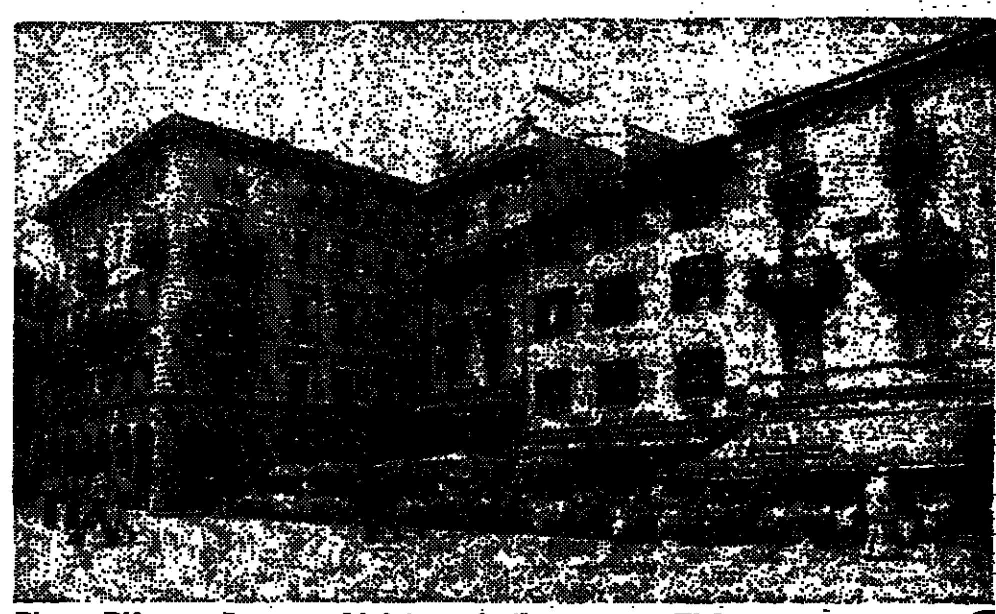
Returns even in these more restricted times have been encouraging. BST, founded in 1873 and until the first decade of this century a producer of bank-notes, had an increase in its balance sheet total of 19.2 per cent in 1982 over 1981 to SwFr 5.04bn and at the end of September, had recorded a further rise of 7.3 per cent to reach SwFr 5.42bn. Net profits in 1982, were up by 4.8 per cent at SwFr 30m. Banco di Roma per laSvizzera had a rise in its balance sheet for 1982 of 8.4 per cent to SwFr 2.26bn (although this did not reflect funds deposited on a fiduciary basis) which increased by 23 per cent over the year.

For the smaller Swiss-owned Overland Trust Bank, this year should be a record with profits up by at least 15 per cent, on top of last year's net profits of SwFr 3.13m. Banca del Gottardo, a foreign bank in spite of its name, suffered a 6 per cent drop in its balance sheet in 1982 compared with the previous year (although profits were marginally up by 2.4 per cent). But at the end of September, the balance sheet was SwFr 3.68bn, up by 7.6 per cent on the figures for the end of December.

There are eight foreign banks in Ticino and the essence of their future strategy is diversification. BSI being the most locally established Swiss bank, and with the most elaborate network of branches in the Canton, feels it has a responsibility towards the local economy. In July it set up with Fidinam Fiduciaria, a local unit trust company an industrial advisory organisation, with a capital of SwFr 5m to encourage local and foreign investment.

But all banks feel that they should "reach beyond the Gotthard." BSI is to open a branch in the Confederal Capital, Berne next year. After the top three Swiss banks, it is the first to have a full branch in New York. Gotthard managed 14 new issues worth about $0.5bn in Swiss francs (12 of which were for Japanese borrowers). Fiduciary accounts funds, entrusted to the bank for investment, or loans in the bank's name, but at the client's risk, form a large part of business.

But banks in Ticino recognise that local opportunities are limited. The local airline, Crossair flies to Lugano three or four times a day; it is less than one hour away from Zurich or Geneva. But the consensus would seem to be that Lugano is not going to become more of an international financial centre than it is already.



Piazza Riforma, Lugano, chief town in the canton of Ticino, where employment in the banking sector remains strong. Below, a panoramic view of Lugano and Monte S. Salvatore from the Monte Brè

SWITZERLAND: BANKING AND FINANCE V

Tide may be turning in favour of Swiss shares

Stock Markets

ADRIAN DICKS

BY COMPARISON with most other internationally important financial centres, Switzerland has put up a somewhat cautious performance since the bulls took firm possession of the world's equity markets in the summer of 1982.

Although the Swiss market rose about 35 per cent from August 1982 to August 1983, the Swiss Bank Corporation index of the Stock market has shown no clear direction during the past few weeks, rallying a little in mid-October yet climbing only hesitantly back past the peak of 347 which it scaled in early August. That level in itself remains well below the records reached in the 1970s.

Yet, the market has also shown greater resistance to the attacks of nerves which, combined with technical consolidation and retrenchment, have seen much ground lost in New York, Tokyo and London in the past two months.

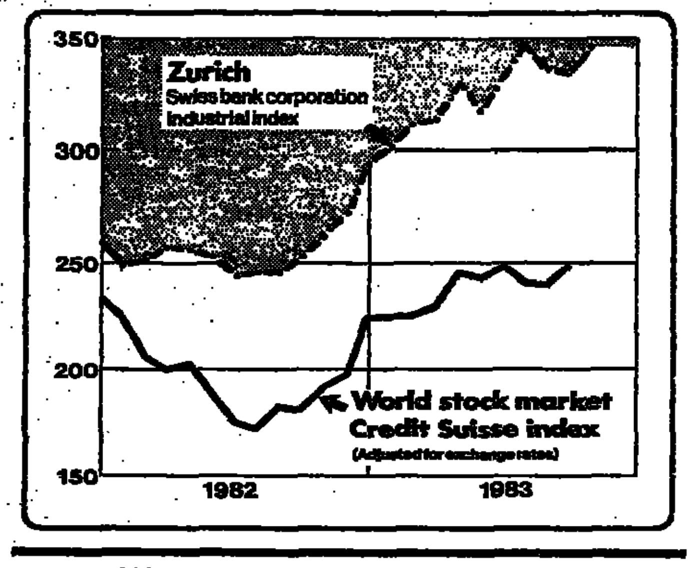
Factors peculiar to Switzerland have both braked the upward climb and cushioned the downward slippage. Foremost among these has been the very high valuation by the foreign exchange markets of the Swiss franc, on the grounds of a sharply-declining domestic inflation rate coupled with a distinct, if still slow, recovery in the Swiss economy. Thus, for investors based in any currency other than the dollar, Swiss shares continue to seem dear.

Swiss bankers believe that the tide may now be turning in favour of Swiss shares; there are confident reports in Zurich of steady orders from U.S. financial institutions, evidently anxious to diversify their equity portfolios.

Part of their new enthusiasm for Swiss shares may also be explained by a widely held view that the market is undervalued. Yet calculations carried out, among others, by J. Vontobel and Co., the private Zurich bank, show that after adjustment for movements between the Swiss franc and dollar, the Swiss market's performance was only about 5 per cent less good than New York's in the year to October.

None the less, for an investor based in Swiss francs, the share market has overall offered less attractive yields for most of this year than have been available from fixed-interest securities. An average yield in late summer of only 2.5 per cent on Swiss equities, according to Credit Suisse, can have had little appeal to private Swiss investors — always famous for their preference for regular coupon income — when the yield on long-term government bonds was about 4.75 per cent and that on first-class Swiss franc foreign bonds considerably higher than 5.5 per cent.

Price earnings ratios on Swiss shares, again taking the average of the market, remain relatively low at around 10.5 per cent — up from their low point of about 8.7 per cent earlier this year but little higher than the average of the past five years. As this would indicate, shares of a number of leading companies have been looking historically cheap in recent months; bankers involved in the market confidently expect a broad rise of at least 15 per cent in the course of the next 12 months.



MAIN SWISS STOCK EXCHANGES 1979/83

	Zurich Turnover SwFr(m))	Zurich Bargains	Basle Turnover (SwFr(m))	Basle Bargains	Geneva* Bargains
1979	115,553	264,189	25,390	82,291	99,955
1980	132,597	297,994	28,632	91-449	105,103
1981	147,104	296,375	31,166	85,513	93,879
1982	190,304	326,570	37,684	89,989	115,493
Jan.-Aug. '82	94,109	169,253	18,908	45,625	60,382
Jan.-Aug. '83	176,737	267,970	34,645	81,171	95,127

* Geneva does not publish turnover figures

Optimism

In part, their optimism rests on a corporate profits outlook that has improved in the third quarter of this year after a steady diet of bad news from engineering and machinery companies. Swiss bank shares, which make up no less than 35 per cent of the total value of the stock market, were also hit earlier this year by their industrial cusomers' problems and by political uncertainties. They have tended to depress the index for much of the past year, yet the combination of a crop of extremely positive full-year earnings forecasts, deriving from growth in most areas of banking business, with a modest easing of domestic interest rates has drawn the keen attention of analysts.

Not least among the fundamental factors favouring Swiss bank shares is the country's very low exposure to troubled sovereign borrowers in Latin America, East Europe, and elsewhere. Within Switzerland itself there is a growing perception that the Socialists' attempts to whittle away at bank secrecy are running out of political steam.

Similarly, Swiss chemical shares, though they showed some unsteadiness earlier in the year, have recently been trading below their highs for the past 12 months and have continued to attract the attention of Swiss and foreign investors.

By comparison with their rivals in other countries, the Swiss chemical companies realised early on the attractions of concentrating on higher value-added products rather than bulk chemicals. They have also impressed investors with their strong balance sheets, as well as purposeful research spending and considerable diversification.

Swiss insurance companies, bedevilled by heavy underwriting losses in 1982, are another recovery sector whose shares are widely expected to gain more ground over the next few months—not least because the companies' own huge investment portfolios have benefited from the worldwide gain in equities.

In this context, it has to be remembered that of the huge sums of clients' money invested in equities by Swiss banks, insurers, investment funds and other intermediaries, only a relatively modest portion is placed in the Swiss financial markets. Highly publicised disputes with the American authorities notwithstanding, Swiss institutions represent enormous and highly experienced investment power in Wall Street, to say nothing of the billions of dollars channelled through the banks' fiduciary accounts into the Eurodollar market.

The Japanese stock market, too, has attracted a considerable volume of investment from Switzerland this year.

The U.S. markets, with their unequalled depth and variety, offer a Swiss investor much that he cannot readily find at home—such glamour sectors as venture capital funds, bio-engineering and microelectronics.

Yet more striking, according to some Wall Street investment houses, remains the conservatism shown by Swiss institutions. During the great bull market's first few months up to the end of 1982, there is said to have been extensive liquidation of bond positions and portfolio shuffling, yet little net new buying of U.S. securities before early 1983.

As a source of funds to Swiss business, the equity market has in recent years tended to lag well behind both the bond market and the credits provided directly by banks to the small to medium sized family-owned companies which remain typical of much of the country's manufacturing industry.

Yet there have been a handful of new flotations on the market in recent months including Autophon, the electronics group, while a number of companies have carried out capital increases using the device of bond issues with an equity conversion option.

In late October, Bank Leu, smallest of the five banks usually grouped as leaders of the banking community, announced a forthcoming one-for-ten rights issue, the first of a batch of such issues which the market had been expecting as the banks' steadily growing balance sheets face them with the need to maintain their capital ratios.

Another development which is likely to add spice to equity trading in Switzerland is the proposal approved by the Basle Stock Exchange, stealing a march on both Zurich and Geneva, to shift to four fixed dates in the year the settlement days for the well-established forward trading in stocks. Hitherto settlement of such trades has taken place one, two or three months after the day of the transaction.

The new arrangement, while involving little change in backroom practice for the banks, will—its sponsors hope—introduce into Switzerland for the first time some of the trading techniques of futures markets.

It may also spark off a wave of foreign interest in Swiss registered shares, according to some bankers active on the market. Customarily these shares have been cheaper than bearer shares because foreigners are unable to hold them. Under the new forward dealing rules, however, foreign investors would not be prevented from forward buying of registered shares, provided they were resold before settlement day.

Discretion and secrecy pays dividends

Private Banks

ANTHONY McDERMOTT

PRIVATE BANKS operate mainly out of Geneva. In 1982, they did very well and there is no reason to suppose that this year has been any less successful.

Discretion — reflected in elegant premises—as well as secrecy are the keywords for private banking, so there are no statistics to back up claims for 1982's performance. It is known, however, that in recent years the private banks have diversified beyond personal portfolio management from which they have been making most of their profits.

Private banks as such have been falling in numbers. In 1908 there was a total of 266 private banking companies listed. In the 60s this had fallen to 49 and there are now 21 of whom nine are based in Geneva.

85 partners

More than half of the 85 partners in Swiss private banks are in Geneva and approximately two thirds of their 1700 employees are also there. Those banks which have remained have expanded rapidly.

In Zurich, J. Vontobel (founded in 1924 and the City's largest private bank) created a stir in September by changing its status from that of an unlimited company to a limited company to be known as Vontobel Holdings but the Vontobel family will continue to hold 95 per cent of the SwFr 50m capital.

It was more an act of anticipating the potential and eventual need for more funds than any act of desperation or change of emphasis in its services.

The move was reminiscent of that of another Zurich family bank, Julius Baer, which went public in 1975.

Profits appear to have been healthy over the last four years especially from portfolio management. The principal private banks—six in all—belong to the Groupement des Banquiers Privés Genevois. The largest two are Lombard, Odier and Pictet. Both, and in particular the latter, have concentrated on securities research.

The role of the private banks is quietly acknowledged by the banking community as a whole through such traditional gestures as the fact that it is a private banker, Alfred E. Sarasin, who holds the chairmanship of the Association of Swiss Bankers.

There has been some expansion and development and M Pierre Keller, a partner of Lombard Odier said in an interview with the local press—itself an indication of private banking self-confidence — that private banks will continue to play a significant role in the field of international portfolio management.

According to M Keller, Lombard, Odier—and this is not untypical of the pattern of operations of other private banks—has over the past years expanded its institutional activity in Switzerland and in the U.S., Britain and the Middle East. It has opened offices in London, New York and Bermuda.

It has also been making efforts to develop clientele among the large U.S. pension funds. In addition to the bank's international expansion, M Keller attached much importance to private as well as institutional clients. Nevertheless, the trend would appear to be more towards international joint ventures and institutional rather than private clients.

Half of the portfolios managed by Lombard, Odier are reckoned to be institutional and Pictet's percentage is not far behind.

Successful venture

Perhaps Lombard, Odier's most successful recent venture was the launching in March in the U.S. of a new Science and Technology Fund, known as Scitech whose initial placement raised US$830m.

Above all, the private banks in Geneva appear to be holding off the competition which has been the result of the expansion in foreign banks with interests in private investors setting up subsidiaries or branches in the city, so that there are at present some 120. But the strength of the private banks—and their history goes back to Hentch, established in 1796, and Lombard, Odier two years later—lies in the personal and private level of their advice. Private banks have been, significantly, less hit by the present concern over Swiss bank secrecy than others.

New issues head for a record

Domestic borrowing and money markets

JOHN WICKS

THIS YEAR is shaping up to set a new record in domestic issues on the Swiss capital market. With bond coupons at their present level, borrowers are able to come by funds for the next 10 to 12 years at an annual cost of hardly 5 per cent. At the same time, the investing public is keen to subscribe to new paper bearing what is still a considerable real interest rate — inflation in September was only 1.4 per cent—and showing a worthwhile return in comparison with the share and money markets.

In the first eight months of 1983, issues of new domestic bonds had a total nominal value of nearly SwFr 9.9bn, or more than had been booked for any full calendar year to date. Admittedly, an unusually high share of these was accounted for by so-called conversions—the re-financing of redeemed borrowings. But even the new-money figure of SwFr 6.14bn is the highest for any January-August period. This, plus the continued high level of foreign Swiss franc bond offerings and a more-than-doubling of corresponding 1982 domestic share issues, brought the overall new-money figure on the public markets to an unprecedented SwFr 13.22bn.

In terms of nominal value, the biggest single borrowers were public authorities (Confederation, cantons and municipalities) with SwFr 3.24bn, followed by utilities and banks with approximately SwFr 2bn each. Other main borrower groups were mortgage-bond institutes, industrials (with a relatively modest SwFr 550m) and holding companies. As always, "domestic" borrowers include a number of foreign-controlled financing units such as Renault Holding, Eurofima and Cie, Financière Michelin which give a hint of the offshore to a sector of the market.

Everything points to a general decline in Swiss interest rates. Falling Euro-market yields and national inflation at a nearly five-year low have already had their effect. In early October the four leading big banks reduced their time-deposit rates for the third time in succession since July, which soon after triggered off a move by the Cantonal banks to cut interest rates on their medium-term cash bonds.

The latest federal bond float, issued in the second half of October, raised SwFr 275m over 10 years at a yield of only 4.46 per cent—and even then bonds had to be rationed because of heavy demand.

Elsewhere, first-class domestic borrowers have generally been offering coupons of 4¾ per cent—or 5 per cent, but with issue prices of 0.5 to 0.75 per cent above par—on straight bonds. It remains to be seen what premium will be paid on the Federal float, which is issued on a tender basis. Liquidity is high in Switzerland, not least on the part of institutional investors, and there is not much going at more attractive conditions. Admittedly, 1983 has been heralded as the "Year of the Share," and this is underlined by recent Stock Exchange quotations and a new record in share turnover; the average yield on Swiss shares, though, remains at below 2¾ per cent.

The Swiss National Bank announced in March last year that it intended to enter into an experimental programme of buying up more domestic securities, this as a continuation of its existing open-market policy. According to M Pierre Languetin, the bank's responsible general manager, these purchases reached nearly SwFr 500m in the first 12-month period. It is intended, he added, to keep up this rhythm in the second phase of the experiment. This measure is aimed at diversifying the monetary authority's portfolio, though without any exaggerated shift into bondholdings. In mid-October, the securities holdings of the National Bank amounted to little more than SwFr 1.5bn (mainly in public-authority bonds), as compared with almost SwFr 28bn in foreign exchange and SwFr 11.9bn in gold. Also, purchases are spread out so as not to disturb the market.

Time-deposit rates

The weakening of time-deposit rates has given a boost to the banks' over-the-counter cash bonds, the so-called Kassenobligationen. These play an important part in Swiss capital creation, amounting to around 10 per cent of the banking system's total liabilities and used primarily to finance export credits and mortgages. Holders are almost invariably Swiss, not least in the light of the imposition of a 35 per cent with-holding tax.

The National Bank has, incidentally, the right to hinder what it feels are unjustified increases in the cash-bond rate, especially when these could have an undesirable effect on the highly political mortgage rate.

Cash-bond coupons—the only bank interest rate on which the authorities are able to exert direct influence — are among the key indicators for the domestic capital market, as are the mortgage and savings-account rates; Switzerland still has by far the highest mortgage debt and savings per head in the world. The National Bank is not averse to making its wishes known in any of these sectors.

The actual discount rate is much less significant than in many other countries, confirming developments on international and home markets rather than acting as a major factor in official policy.

In the money-market sector, Switzerland is largely dependent on what goes on abroad. A stamp duty on trade in money-market paper has meant that nearly no business of this kind takes place in the country itself.

Almost 10 years ago the authorities began to study a possible build-up of the money market. This was intended to determine whether the expansion of the monetary base following the freeing of exchange rates should take place via the purchase of domestic assets, as well as to come up with alternative Federal financing means. In fact, not very much has come about. For fiscal and legal reasons, the issue of negotiable money-market paper has been impossible.

As from 1979, however, the Confederation has been issuing limited-negotiability short-term money market paper in the form of "book claims," also known as "debt register claims." Maturities were first of three months only, later also of six months and one month; the future may bring a further expansion of the programme to include 12-month maturities.

Buyers are domestic institutionals, the minimum stake being of SwFr 100,000 (originally as much as Sw Fr 500,000). The latest — three-month — issue in mid-October had an annual yield of 3.1 per cent.

At present, there are no signs of the money-market issues being extended to cover other public authorities or even the private sector. The stamp duty will continue to limit possibilities drastically as long as it is in force. This means that Swiss banks must still carry out the bulk of their money-market business on the Euromarkets. Their time deposits, now running at 3¼ per cent for all maturities from three to 12 months and 3¼ per cent for the "unofficial" one- to two-month deposits, are naturally dependent on Euro-money rates. As was proved in autumn 1981, these can thus shoot up suddenly and bring the entire Swiss interest scene into imbalance. For the time being, though, no new crisis seems to be on its way.

Safeguards against abuses sought

Insider deals

JOHN WICKS

SWITZERLAND IS in the course of preparing its first-ever law against insider transactions on the stock market. The Ministry of Justice is expected in the next few days to release a draft text as the basis for consultations with interested parties before presentation of a final Bill to Parliament. This means that the new regulations could come into effect in or after the spring of 1985.

The "insider problem" has been a live issue, particularly since early 1981, when the the Securities and Exchange Commission of the U.S. investigated the bid by the Canadian Seagram group for St Joe Minerals. The SEC claimed that clients of the Lugano-based Banca della Svizzera Italiana had earned $1m or more by making use of inside information on the bid. The bank, three of whose accounts were blocked by a New York court order, was called on to provide information on the alleged transactions in question.

As has more recently been the case with the Marc Rich commodities company, compliance with this request would have meant contravention of Swiss laws. The bank therefore indicated its readiness to co-operate with the U.S. authorities, while stressing that this would have to be within the framework of its obligations under Swiss law.

Off the hook

In fact, the Lugano bank got off the hook in November of the same year, when the clients for whom it had bought St Joe call options contacted the SEC to "offer their co-operation in current proceedings." Nevertheless, the SEC said last month that the file on the St Joe transactions has not been closed. It declined to comment on whether any other Swiss banks might be implicated.

A similar case cropped up, also in 1981, when the SEC asked Crédit Suisse, Lombard Odier, and Chase Manhattan Bank (Switzerland) for information in connection with the takeover of Santa Fe International by Kuwait Petroleum Corporation. On the banks' declining, for fear of breaking the Swiss bank-secrecy rules, the Commission applied to Berne for legal aid. The banks appealed, and in January 1983 the Swiss Federal Court upheld their appeal.

These two cases embarrassed the Swiss banking community considerably. In January of last year the Swiss Banker's Association issued a statement deploring the misuse of its members as intermediaries in insider operations, and said it was prepared to co-operate with the SEC in finding corresponding safeguards. It also announced that steps were being taken to introduce anti-insider legislation in Switzerland itself.

Priority went to the solving of the American problem, the association admitting that banks had been put in a "difficult legal position" by U.S. demands for the disclosure of client information. Since a bilateral legal-aid agreement dating from 1977 did not cover the insider question, an ad hoc "memorandum of understanding" was signed voluntarily by association members last August.

This is based on the signing of a waiver by clients, permitting the banks to disclose their identity where there are grounds to suspect the abuse of Swiss bank secrecy to further U.S. insider deals. The decision on this is taken by a special commission of the association on a specific request being forwarded by the SEC through the Department of Justice and the Swiss Ministry of Justice.

As yet, no such requests have been made. However, the SEC renewed its application for legal aid in the Santa Fe case this August. It seems unlikely that the Swiss would agree to a back-dating of the provisions of the memorandum of understanding, but the SEC might produce new evidence pointing to alleged contravention of a long-standing clause in the Swiss penal code concerning the so-called "betrayal of manufacturing or business secrets."

Difficulties

Whatever the case, the headlines about the American controversy have led many people to overlook the fact that Switzerland has had difficulties of its own with insider transactions. While bankers claim these have nothing like the same dimensions as those reported from Wall Street, many of them have raised quite a lot of dust.

The latest of these, and one in which banks themselves were *denounced as guilty parties*, took place this May when news of a major stock transaction by the Jacobs-Suchard coffee and chocolate group was leaked prematurely and corresponding deals made. Managing director Klaus J. Jacobs bore this less philosophically than have others in his position and expressed his "deep disappointment at the obnoxious accompaniment" to the share issue—which he said he nearly called off as a result.

The Swiss had been concerned at the abuse of insider information at home long before the recent American troubles. In 1970 the Basle Stock Exchange Association recommended the introduction of some sort of agreement akin to the London "City Code," though this was taken no further by the Association of Swiss Stock Exchanges.

In 1976 the Government of Canton Zurich, which is responsible for the bourse in that city, suggested that an anti-insider clause should be taken into the penal code, a recommendation which also failed to get off the ground.

It has without doubt been the campaign by the Securities and Exchange Commission which has speeded up the process.

Real opposition seems to have faded away. Apart from the SEC attack, and the discomfort at recent domestic incidents, the banks hardly feel able to appear to be supporting something they themselves consider undesirable. Since all stockbroking activities are carried out by banks, incidentally, they have come in for their share of criticism in apparent or obvious insider deals.

It remains to be seen what the Government will envisage in the way of a penal-code clause.